

**THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD**  
**ENDED 31<sup>st</sup> March 2020**

Dear Shareholders,

Assalamu'alaikum Wa Rahmat Allah Wa Barakatuh,

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 first quarter ended 31st March 2020. These are based on the unaudited condensed interim financial information.

At the outset I would like to start by expressing my heartfelt condolences to Oman and the Arab and Islamic nations on the demise of late His Majesty Sultan Qaboos bin Said bin Taimur, may Allah rest his soul in eternal peace. The smooth transition of power to the wise leadership of His Majesty Sultan Haitham bin Tarik bin Taimur is widely welcome by the international community and has further cemented its reputation as a peaceful and orderly oasis in the region which is encouraging and will support the economy in attracting foreign investments led by public and private sector growth.

Under the wise leadership of His Majesty Sultan Haitham bin Tarik bin Taimur, we are determined to continue the march of this country by leading the Islamic Finance industry in Oman and contributing effectively to maintain the development of the national economy.

Our results are a testament to the strength of our diversified business and our disciplined strategy to grow our business franchises and deliver long term value to shareholders. We believe that this upward trajectory indicates the importance of the Islamic finance sector which has an enormous potential to grow despite the challenges it faces.

We take a leading role in Oman in driving economic growth and helping communities develop across the Sultanate, going beyond financial services. Our strategy is focused on areas where we believe we can make a significant difference in fulfilling our customers' ambitions and driving financial inclusion whilst supporting businesses, big and small, to succeed in Oman and beyond.

We achieved continued growth in our core businesses where we have been investing to create more value for our clients and our shareholder in spite of challenging operating conditions. Recorded 18% growth in assets 13% growth in revenue from last year during the same period, driven by healthy activity across both our wholesale and retail businesses and control on our cost. This is the result of successful execution of our strategy 2020, which requires continued focus on growing the balance sheet in a controlled manner, diversifying revenue streams, control on expenses, improving margins, and expanding products and client base.

We are confident that the Bank's unchanged strategic pillars and resilient balance sheet leave us well placed to manage any economic headwinds, whilst continuing to deliver good returns for our customers and improved values for our shareholders.

## **FINANCIAL PERFORMANCE**

The Bank's total assets grew by 18% to reach 1,059 million Omani Riyals compared to 895 million Omani Riyals during the same period in March 2019. Gross financing portfolio grew by 19% to reach 881 Million Omani Riyals while total customer deposit portfolio reached 837 Million Omani Riyals recording a growth of 18% compared to the same period in March 2019. 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.

Operating income increased by 13% while operating expenses increased by only 12% reflecting dedicated and strategic efforts to cost management. This has led us to achieve a net profit after tax of 2,780 Thousand Omani Riyals. This is considered an important milestone towards meeting the Bank's strategic plans of improving performance and write-off the accumulated losses.

Despite a challenging operating environment, the Bank's balance sheet remains strong due to excellent asset quality and robust capital ratios.

## **FUTURE OUTLOOK**

COVID-19 is expected to have a significant impact on the global economy, either contract in 2020 or chart much lower growth rates than 2019. Tourism, hospitality, transportation, logistics, trade, construction and real estate are all anticipated to be adversely affected. In order to mitigate the impact of the COVID-19 pandemic, central banks globally, including the Central Bank of Oman, have eased policies and may continue doing so in an attempt to promote economic stimulus and to lower the cost of debt. Concurrently, Oman government has also introduced economic stimulus packages and fiscal measures to provide assistance and relief to individuals and businesses affected by COVID-19.

The OPEC agreement reached in April 2020 is expected to result in a sharp contraction in oil production this year. However, due to global pandemic and subdued demand, market is expected to remain highly volatile. With the renewed confidence in the ongoing global oil demand recovery, in the damage to supply created by deep capex curtailments across the oil industry, and in the solid OPEC+ agreement to curb output, oil price is expected to be range bound in USD 37/bl – USD 45/bl.

According to World Bank, Oman's economy is expected to contract in 2020 due to the oil price slide and the COVID-19 public health response. An increase in gas output and infrastructure spending plans will help growth recover over 2021-22. Fiscal and external deficits will remain under strain due to low oil and gas prices.

Continue low oil prices and the spread of COVID-19 are the key challenges that is impacting the economy in the short-run. With the improvement in demand and re-opening of economies, overall economic activities is expected to improve from 2021.

We remain committed to supporting our economy and will work with affected customers to ensure viable solutions are provided to cushion the impact and improve. We will also proactively engage with our customers to address potential financial challenges given the softer economic landscape as we do anticipate challenges in the operating environment.

The Bank will leverage on its diversified segment base to drive revenue growth, enhance customers' experience through digital innovations and continue up-skilling our workforce to improve productivity.

With the resilient balance sheet and successful business model, we will navigate these challenges and shall continue working towards our strategy which focuses on asset quality, financial performance, technological advancement, market share, and team culture.



**ACKNOWLEDGEMENT**

On behalf of the Board of Directors, Executive Management and staff, I would like to express our sincere gratitude to His Majesty Sultan Haitham bin Tariq Al 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.

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.

**Khalid Bin Abdullah Bin Ali Al Khalili**  
**Chairman**