

**THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD
ENDED 31st MARCH 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 first quarter ended 31 March 2014. These are based on the unaudited condensed interim financial information which has been reviewed by our external auditors.

ISLAMIC BANKING MARKET IN OMAN

It is important to highlight the fact that the industry has now entered its second year. As a new industry in Oman 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 continuing to tackle the issues that exist with any new industry. We, as Bank Nizwa, in our capacity as one of the Banks offering Sharia compliant products and services, are dedicated to working 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 understand that corporate segment requires more time to be penetrated with Islamic banking products and services.
2. Continuing to increase our distribution network with branches, kiosks and alternative channels across the Sultanate particularly in areas outside the major cities.

AWARDS & RECOGNITION

The efforts of the management of the Bank are being recognised globally. Our Bank was recognised as the Best Islamic Bank in Oman by Islamic Finance News, the world's leading Islamic finance news provider.

Bank Nizwa was also named as the Best Islamic Bank in Oman by World Finance, a leading finance publication based in UK.

FINANCIAL PERFORMANCE

The financial results of the first quarter ended 31 March 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 31st March 2014 reached Omani Riyals 226.24 million which represents a 43% growth over same period in 2013.

During the quarter, growth in our financing and deposit portfolio over the results of December 31, 2013 has provided us the momentum that we needed to continue our growth trajectory. This momentum will enable us to achieve our long term objectives. During the quarter our financing portfolio grew 59%, whilst the Islamic deposit portfolio grew 54%.

During the quarter we also brought to the market new product offerings with the home construction offering and corporate banking solutions, and we continued investing in our critical resources which includes our people, started on new branches and technology that will enable us to better serve our customers.

During this quarter, our total revenues grew 41.5% from previous quarter, 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 the 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 5 to 6 branches, enhance our product and proposition offering and bring banking to our customers' doorstep and fingertips. As an innovator, we started with instant issuance of debit cards and chequebooks. This innovation continued with making available the ATM network of all banks across the country free of charge to our customers, and innovation will continue in all the Bank's activities.

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.

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.



Amjad Bin Mohammed Al Busaidi
Chairman