

**THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD
ENDED 30th September 2020**

Dear Shareholders,

Assalamu'alaikum Wa Rahmat Allah Wa Barakatuh,

By the grace of Allah, Alhamdulillah, 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 the nine months' results that ended 30th September 2020. These are based on the unaudited interim financial information.

The story that these results portray is a testament to the ambition we have as a First Shari'a compliant Bank and our passion for going beyond excellence. As we look back with a great sense of pride at the many accomplishments we have achieved in this year in review despite the most ever-challenging environment. We salute everyone who has been a great source of support along the way.

This quarter we achieved the record highest nine-month profit, which has supported in clearing our accumulated losses. In this message, I am pleased to highlight the progress we made in 2020 towards our strategic ambitions and to set out our plans to navigate the Bank with the current challenges.

OUR RESPONSE TO COVID-19

The Oman Government has followed its earlier conclusive action to protect the health of Oman residents with clear, prescriptive and measured guidelines to re-open the economy with safety continuing to be the top priority. The Central Bank of Oman relief package and policies has been effective in supporting customers and banks now in order to provide a cushion to the impact. I am proud that Bank Nizwa has provided assistance to customers affected by a coronavirus and being actively involved in community initiatives. The Bank's results reflect a pick-up in economic activity during the third quarter, and Bank Nizwa has a resilient balance sheet which we will continue to use to help drive economic growth.

This is an evolving situation that requires a synchronized and sustained response and we are actively coordinating with our customers who are in the greatest needs and will continue delivering the right support where it's needed most. We continued to provide full, uninterrupted banking services to our customers and the wider community.

I want to express my gratitude to our staff who helped customers continue to Bank safely and securely during these unprecedented times and we are grateful to Oman's wise leadership during these challenging times.

FINANCIAL PERFORMANCE

Since the beginning of 2020 as the COVID-19 outbreak started, the business environment became challenging for the financial services industry. The start of the year was surrounded by uncertainties on several fronts, from disruption because of the pandemic, lowest crude oil prices to the weakening of growth in key economic sectors which all impacted the liquidity position in the system and increased competition in the market.

Against this backdrop, your Bank has turned in a commendable financial performance by registering the highest net profit growth in the industry and cleared accumulated losses. This is the result of our ability to adapt to the economic realities including the competitive environment in which we operate and a resilient balance sheet. This milestone was achieved while focusing on our commitment to provide unsurpassed customer experience and adhering to the core values that formed our institution.

We achieved continued growth in our core businesses where we have been investing to create more value for our clients and our shareholder. Recorded 8% growth in shareholder's equity and 16% 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 the 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, enhancing our digital capabilities, and expanding products and client base.

The Bank's total assets grew by 18% to reach 1,139 million Omani Riyals compared to 967 million Omani Riyals during the same period in September 2020. Gross financing portfolio grew by 19% to reach 952 Million Omani Riyals while the total customer deposit portfolio reached 912 Million Omani Riyals recording a growth of 20% compared to the same period in September 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 16% while operating expenses increased by only 3% reflecting dedicated and strategic efforts to cost management. This has led us to achieve net profit after tax of 8,543 Thousand Omani Riyals. This is considered an important milestone towards meeting the Bank's strategic plans of improving performance.

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.

FUTURE OUTLOOK

The coronavirus pandemic, while easing in some countries, continues to register new cases in many others, and is unlikely to be suppressed globally in the next two quarters. As such, it will continue to weigh on economic activity around the world despite authorities' best efforts on both the fiscal and the monetary side.

Among the many uncertainties associated with COVID-19 the ability of the global economy to recover ranks highly. The interruption of global growth was unprecedented and the response from government programs and central bank stimuli provided a strong support to economies worldwide. As a result, the IMF has revised its 2020 and 2021 forecasts in lieu of extended support and prolong impact on the global economies.

As we head into the final stretch of 2020, Oman along with other countries of the world remains in the grip of the COVID-19 pandemic with parts of Europe, the UK and some US states experiencing a 'second wave' of infections as winter approaches. GCC economies are faced with further challenges of lower oil production, sharply lower oil prices which impacted the revenue and contracting demand impacting non-oil sectors this year.

Continue low oil prices and the spread of COVID-19 are the key challenges that are impacting the economy in the short-run. A rebound in the regional economies will to a large extent be driven by what happens in the rest of the world, and the impact on energy markets and global trade. While we expect the GCC economies to continue their recovery in Q4, the outlook remains uncertain and risks abound.

With the improvement in demand and the re-opening of economies, overall economic activities are 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