

**BANK NIZWA SAOG****Statement of sources and uses of charity fund***31 March 2017(Un-audited)*

	<b>RO</b>
<b>Sources of charity funds</b>	
Undistributed charity funds and total source at 1 January 2016	-
Sharia non-compliant income	5,243
Total source	<u>5,243</u>
<b>Uses of charity funds</b>	
Charity for welfare	-
Total use	<u>-</u>
<b>Undistributed charity funds at 31 March 2016</b>	<b><u>5,243</u></b>
Undistributed charity funds and total source at 1 April 2016	5,243
Sharia non-compliant income	30,169
Total source	<u>35,412</u>
<b>Uses of charity funds</b>	
Charity for welfare	17,451
Total use	<u>17,451</u>
<b>Undistributed charity funds at 31 December 2016</b>	<b><u>17,961</u></b>
Undistributed charity funds and total source at 1 January 2017	17,961
Sharia non-compliant income	6,840
Total source	<u>24,801</u>
<b>Uses of charity funds</b>	
Charity for welfare	17,961
Total use	<u>17,961</u>
<b>Undistributed charity funds at 31 March 2017</b>	<b><u>6,840</u></b>

The notes on pages 7 to 17 form an integral part of this condensed interim financial information.

# BANK NIZWA SAOG

## Notes to the condensed interim financial information

31 March 2017(Un-audited)

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Nizwa SAOG ("the Bank") was registered in the Sultanate of Oman as a public joint stock company under registration number 1152878 on 15 August 2012. The Bank's shares are listed on the Muscat Securities Market "MSM" and its principle place of business is in Muscat, Sultanate of Oman.

The Bank's business operations commenced on 23 December 2012 and it currently operates through eleven branches in the Sultanate under the banking license issued by the CBO on 19 December 2012.

The principal activities of the Bank are opening current, saving and investment accounts, providing Murabaha finance, Ijara financing and other Sharia compliant forms of financing as well as managing investors' money on the basis of Mudaraba in exchange for a profit share or agency in exchange for a fee, and excess profit as incentive providing commercial banking services and other investment activities.

The Bank's activities are regulated by the CBO and supervised by a Sharia Supervisory Board ("SSB") whose role is defined in Bank's Memorandum and Articles of Association.

At 31 March 2017, the Bank had 333 employees (2016: 330 employees).

The Bank's registered address is P O Box 1423, Postal Code 133, Muscat, Sultanate of Oman.

### 2 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of preparation and presentation*

The condensed interim financial information of the Bank for the three months period ended 31 March 2017 has been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In line with the requirement of AAOIFI, for matters that are not covered by AAOIFI standards, the Bank uses guidance from the relevant International Financial Reporting Standards ("IFRS"). Accordingly, the condensed interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'. The condensed interim financial information do not contain all the information and disclosures required in the financial statements, and should be read in conjunction with the financial statements as at 31 December 2016. In addition, results of the three month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The condensed interim financial information is reviewed not audited. The comparatives for the condensed interim statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2016 and comparatives for the condensed interim income statement, interim condensed changes in owners' equity, cash flows and sources and uses of charity fund have been extracted from the reviewed condensed interim financial information for the period ended 31 March 2016.

#### *Significant accounting policies*

The accounting policies used in the preparation of the condensed interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016.

#### *Functional currency*

The condensed interim financial information has been presented in Rial Omani (RO) which is the functional currency of the Bank.

The condensed interim financial information has been prepared on historical cost basis, except for the measurement at fair value of certain investments carried at fair value.

#### *Accounting estimates*

The basis and the methods used for critical accounting estimates and judgments adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2016.

#### *Financial risk management*

The financial risk management objective and policies adopted by the Bank are consistent with those disclosed in the financial statements of the Bank for the year ended 31 December 2016.

## BANK NIZWA SAOG

### Notes to the condensed interim financial information

31 March 2017(Un-audited)

#### 3 CASH AND BALANCES WITH CENTRAL BANK OF OMAN (CBO)

	31 March 2017 RO	31 March 2016 RO	31 December 2016 RO
Cash in hand	4,153,271	3,992,469	4,783,329
Balances with CBO	33,167,559	6,227,162	11,470,234
Capital deposit with CBO	346,095	253,106	346,095
<b>Total</b>	<b>37,666,925</b>	<b>10,472,737</b>	<b>16,599,658</b>

3.1 The capital deposit with the CBO cannot be withdrawn without its prior approval.

#### 4 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	31 March 2017 RO	31 March 2016 RO	31 December 2016 RO
Local banks – local currency	496,563	742,917	495,362
Foreign banks – foreign currency	3,121,213	3,608,486	4,424,211
<b>Total</b>	<b>3,617,776</b>	<b>4,351,403</b>	<b>4,919,573</b>

#### 5 INTER-BANK WAKALA INVESTMENTS – NET

	<b>Jointly-financed</b>		
	31 March 2017 RO	31 March 2016 RO	31 December 2016 RO
Local banks – local currency	10,000,215	-	34,000,065
Foreign banks – foreign currency	3,850,000	3,080,000	7,397,840
<b>Total</b>	<b>13,850,215</b>	<b>3,080,000</b>	<b>41,397,905</b>

#### 6 SALES RECEIVABLES AND OTHER RECEIVABLE - NET

	<b>31 March 2017</b>		
	<b>Jointly- financed RO</b>	<b>Self- financed RO</b>	<b>Total RO</b>
Sales receivables (Murabaha) – retail	92,220,427	1,909,702	94,130,129
Sales receivables (Murabaha) – corporate	35,907,827	-	35,907,827
Istisna receivables – corporate	3,428,124	-	3,428,124
Ijara rent receivables - retail	18,480	-	18,480
Ijara rent receivables – corporate	151,201	-	151,201
Credit card receivables - Ijarah service (Ujrah)	353,214	-	353,214
Gross sales receivables and other receivables	<b>132,079,273</b>	<b>1,909,702</b>	<b>133,988,975</b>
Less:			
Deferred profit	(18,798,386)	(201,563)	(18,999,949)
General provision	(1,907,205)	(33,742)	(1,940,947)
Specific provision	(57,227)	-	(57,227)
Reserved profit	(10,007)	(490)	(10,497)
Net sales receivables and other receivables	<b>111,306,448</b>	<b>1,673,907</b>	<b>112,980,355</b>

## BANK NIZWA SAOG

### Notes to the condensed interim financial information

31 March 2017(Un-audited)

#### 6 SALES RECEIVABLES AND OTHER RECEIVABLE – NET (continued)

	31 March 2016		
	Jointly-financed	Self-financed	Total
	RO	RO	RO
Net sales receivables and other receivables	80,738,019	1,513,373	82,251,392

  

	31 December 2016		
	Jointly-financed	Self-financed	Total
	RO	RO	RO
Net sales receivables and other receivables	98,399,665	1,703,668	100,103,333

#### 7 FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

	Jointly-financed	
	Cost RO	Fair value RO
International un-listed Sukuk	1,531,974	1,598,719
International listed Sukuk	1,905,872	1,922,327
Regional listed Sukuk	6,037,197	6,036,382
Regional un-listed funds	5,054,034	5,277,214
Regional un-listed shares	334,100	334,100
Local listed Sukuk	11,113,600	11,113,600
Local listed shares	56,378	96,970
Impairment loss provision regional un-listed shares	(70,538)	(70,538)
<b>31 March 2017</b>	<b>25,962,618</b>	<b>26,308,775</b>
31 March 2016	19,964,765	19,751,247
31 December 2016	22,175,015	22,359,510

## BANK NIZWA SAOG

### Notes to the condensed interim financial information

31 March 2017(Un-audited)

#### 8 INVESTMENT IN REAL ESTATE – HELD FOR SALE

This represents investment in income generating industrial real estate; where 70% of the beneficial ownership is held by the Bank for a consideration of RO 14.175 million. Subsequently, the property has been leased under a master lease agreement for a period of ten years with a fixed rental amount.

Investment in real estate has been financed from Shareholders' funds and classified as self-finance investment and not included in the Mudaraba pool 'commingled pool'. All profits generated and costs in relation to the investment will be for the account of the Bank only and not subject to income distribution for the unrestricted investment accountholders.

The Bank follows cash flow based valuation methodology and believes that the fair value of investment in real estate is not materially different from its carrying value as at 31 March 2017. Further, the Bank has a plan for disinvestment by end of June 2017.

#### 9 IJARA MUNTAHIA BITTAMLEEK - NET

	<b>31 March 2017</b>		
	<b>Jointly- financed</b>	<b>Self- financed</b>	<b>Total</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Real estate</b>			
Cost	241,425,799	9,769,574	251,195,373
Accumulated depreciation	(15,588,834)	(607,717)	(16,196,551)
<b>Net book value</b>	<b>225,836,965</b>	<b>9,161,857</b>	<b>234,998,822</b>
<b>Equipment</b>			
Cost	23,842,350	-	23,842,350
Accumulated depreciation	(6,985,723)	-	(6,985,723)
<b>Net book value</b>	<b>16,856,627</b>	<b>-</b>	<b>16,856,627</b>
<b>Total</b>			
Cost	265,268,149	9,769,574	275,037,723
Accumulated depreciation	(22,574,557)	(607,717)	(23,182,274)
<b>Net book value</b>	<b>242,693,592</b>	<b>9,161,857</b>	<b>251,855,449</b>
General provision	(3,083,240)	(91,619)	(3,174,859)
<b>Ijara Muntahia Bittamleek - net</b>	<b>239,610,352</b>	<b>9,070,238</b>	<b>248,680,590</b>

## BANK NIZWA SAOG

### Notes to the condensed interim financial information

31 March 2017(Un-audited)

#### 9 Ijara Muntahia Bittamleek – net (continued)

	31 March 2016		
	Jointly- financed	Self-financed	Total
	RO	RO	RO
Cost	189,789,135	6,558,065	196,347,200
Accumulated depreciation	(10,633,113)	(314,067)	(10,947,180)
Net book value	<u>179,156,022</u>	<u>6,243,998</u>	<u>185,400,020</u>
General provision	<u>(2,291,560)</u>	<u>(62,440)</u>	<u>(2,354,000)</u>
Ijara Muntahia Bittamleek - net	<u>176,864,462</u>	<u>6,181,558</u>	<u>183,046,020</u>
	31 December 2016		
	Jointly- financed	Self-financed	Total
	RO	RO	RO
Cost	247,766,932	8,975,680	256,742,612
Accumulated depreciation	(19,311,445)	(522,977)	(19,834,422)
Net book value	<u>228,455,487</u>	<u>8,452,703</u>	<u>236,908,190</u>
General provision	<u>(2,769,898)</u>	<u>(84,527)</u>	<u>(2,854,425)</u>
Ijara Muntahia Bittamleek - net	<u>225,685,589</u>	<u>8,368,176</u>	<u>234,053,765</u>

#### 10 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

	31 March 2017 RO	31 March 2016 RO	31 December 2016 RO
Unrestricted investment account holders	<b>186,478,018</b>	82,601,029	157,984,717
Investment fair value reserve	<b>105,627</b>	(28,111)	50,181
Profit equalisation reserve	<b>166,049</b>	898,230	779,239
Investment risk reserve	<b>210,745</b>	55,523	160,124
<b>Total</b>	<b><u>186,960,439</u></b>	<u>83,526,671</u>	<u>158,974,261</u>

Unrestricted investment accounts comprise Mudaraba deposits accepted by the Bank. The funds received from equity of unrestricted investment accountholders have been commingled and jointly invested by the Bank.

#### 11 PAID UP CAPITAL

The authorised share capital of the Bank is RO 300,000,000 and the issued and paid up capital is RO 150,000,000, divided into 1,500,000,000 shares of a nominal value of RO 0.100 each.

At 31 March 2016, no shareholders of the Bank owned 10% or more of the Bank's paid up capital.

## BANK NIZWA SAOG

### Notes to the condensed interim financial information

31 March 2017(Un-audited)

#### 12 OPERATING EXPENSES

	<i>Three months ended 31 March 2017 RO</i>	<i>Three months ended 31 March 2016 RO</i>
Rent expense	217,874	217,159
Advertisement	127,898	137,637
Hardware and software maintenance	173,136	132,806
Premises expenses	35,250	38,052
Government fees	39,751	37,989
Printing and stationery	20,353	19,844
Professional and consulting charges	34,125	27,583
Board of Directors and Sharia board expenses	33,027	32,498
Others	580,650	554,844
<b>Total</b>	<b>1,262,064</b>	<b>1,198,412</b>

#### 13 RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank conducts transactions with certain of its directors and/or shareholders and companies over which they have significant interest. The aggregate amounts of balances with such related parties are as follows:

<b>31 March 2017</b>	<b>Principal shareholders RO</b>	<b>Sharia'a Board RO</b>	<b>Senior management RO</b>	<b>Total RO</b>
Sales receivables and other receivables	72,867	18,454	131,216	222,537
Ijara Muntahia Bittamleek	2,117,850	83,108	596,160	2,797,118
Customers' accounts	430,554	4,016	275,052	709,622
Unrestricted investment accountholders	3,381,282	156	2,528	3,383,966
31 March 2016	Principal shareholders RO	Sharia'a Board RO	Senior management RO	Total RO
Sales receivables	716,677	22,084	142,174	880,935
Ijara Muntahia Bittamleek	4,098,013	-	658,503	4,756,516
Wakala Bil Istethmar	7,815,890	-	-	7,815,890
Customers' accounts	1,456,847	1,575	316,924	1,775,346
Unrestricted investment accountholders	1,794,595	1,234	10,227	1,806,056
31 December 2016	Principal shareholders RO	Sharia'a Board RO	Senior management RO	Total RO
Sales receivables	419,453	19,361	120,133	558,947
Ijara Muntahia Bittamleek	1,837,778	83,835	610,529	2,532,142
Customers' accounts	612,990	1,799	200,508	815,297
Unrestricted investment accountholders	3,354,000	13	-	3,354,013

# BANK NIZWA SAOG

## Notes to the condensed interim financial information

31 March 2017(Un-audited)

### RELATED PARTY TRANSACTION (CONTINUED)

The income statement includes the following amounts in relation to transactions with related parties:

<i>Three months ended 31 March 2017</i>	<b>Principal shareholders RO</b>	<b>Sharia'a Board RO</b>	<b>Senior management RO</b>	<b>Total RO</b>
Profit income	10,337	1,212	4,860	16,408
Commissions	47	-	-	47
Staff cost	-	-	78,708	78,708
Other expenses	17,400	15,627	5,420	38,447
<i>Three months ended 31 March 2016</i>	Principal shareholders RO	Sharia'a Board RO	Senior management RO	Total RO
Profit income	144,684	274	4,506	149,464
Commissions	-	-	-	-
Staff cost	-	-	210,921	210,921
Other expenses	18,450	14,048	61,755	94,253

### 14 Profit/ (loss) per share basic and diluted

The calculation of basic and diluted Profit/ (loss) per share is based on the profit/ (loss) for the year attributable to ordinary shareholders is as follows:

	<b>31 March 2017 RO</b>	31 March 2016 RO
Profit/ (loss) for the period (RO)	<b>592,579</b>	(466,355)
Weighted average number of shares outstanding during the year	<b>1,500,000,000</b>	1,500,000,000
<b>Profit/ (loss) per share basic and diluted (RO)</b>	<b>-</b>	<b>-</b>

Profit/ (loss) per share basic and diluted has been derived by dividing loss for the year attributable to the shareholders' by weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted profit / (loss) per share is same as the basic profit / (loss) per share.

### 15 Contingent liabilities and commitments

#### a) Contingent liabilities

	<b>31 March 2017 RO</b>	31 March 2016 RO	31 December 2016 RO
<b>Total contingent liabilities (a)</b>	<b>62,626,317</b>	52,531,311	55,765,510

#### b) Commitments

<b>Total commitments (b)</b>	<b>96,389,874</b>	44,044,348	105,411,154
<b>Total contingent liabilities and commitments (a+b)</b>	<b>159,016,191</b>	96,575,659	161,176,664



# BANK NIZWA SAOG

## Notes to the condensed interim financial information

31 March 2017(Un-audited)

### 16 SEGMENT REPORTING

For management purposes, the Bank is organised into three operating segments based on business units and are as follows:

**Retail banking** offers various products and facilities to individual customers to meet everyday banking needs.

**Corporate banking** delivers a variety of products and services to corporate and SMEs customers that includes financing, accepting deposits, trade finance and foreign exchange.

**Treasury and investment banking** provides a full range of treasury products and services including money market and foreign exchange to the clients in addition to managing liquidity and market risk, in addition to asset management corporate advisory and investment products high net worth individuals and institutional clients.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. The costs incurred by the central functions are managed on a overall basis and are not allocated to operating segments.

Segment information is as follows:

<i>Three months ended 31 March 2017</i>	<b>Retail banking RO</b>	<b>Corporate banking RO</b>	<b>Treasury &amp; investment RO</b>	<b>Others RO</b>	<b>Total RO</b>
<b>Operating income</b>	<b>3,585,338</b>	<b>1,078,311</b>	<b>642,478</b>	<b>-</b>	<b>5,306,127</b>
<b>Net (loss)/ profit</b>	<b>931,244</b>	<b>(107,153)</b>	<b>(191,434)</b>	<b>(40,078)</b>	<b>592,579</b>
<b>Total assets</b>	<b>268,965,171</b>	<b>182,920,774</b>	<b>102,618,691</b>	<b>7,964,687</b>	<b>562,469,323</b>
<b>Total liabilities and unrestricted investment accountholders</b>	<b>192,404,302</b>	<b>204,793,114</b>	<b>21,610,032</b>	<b>15,901,635</b>	<b>434,709,083</b>
<i>Three months ended 31 March 2016</i>	Retail banking RO	Corporate banking RO	Treasury & investment RO	Others RO	Total RO
<b>Operating income</b>	<b>2,120,920</b>	<b>1,294,393</b>	<b>446,595</b>	<b>-</b>	<b>3,861,908</b>
<b>Net (loss)/ profit</b>	<b>(509,163)</b>	<b>238,074</b>	<b>(195,266)</b>	<b>-</b>	<b>(466,355)</b>
<b>Total assets</b>	<b>190,035,151</b>	<b>123,303,976</b>	<b>58,830,387</b>	<b>11,089,932</b>	<b>383,259,446</b>
<b>Total liabilities and unrestricted investment accountholders</b>	<b>139,628,286</b>	<b>78,903,375</b>	<b>22,137,500</b>	<b>16,424,638</b>	<b>257,093,799</b>

## BANK NIZWA SAOG

### Notes to the condensed interim financial information

31 March 2017(Un-audited)

#### 17 Financial instruments transfer between level 1, level 2 and level 3

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy of investment securities during the period.

	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
Financial assets at fair value through equity	20,767,999	5,540,777	-	26,308,775
Investment in real estate	-	14,175,000	-	14,175,000
<b>Total financial assets at 31 March 2017</b>	<b>20,767,999</b>	<b>19,715,777</b>	<b>-</b>	<b>40,483,775</b>
Total financial assets at 31 March 2016	14,441,979	19,484,268	-	33,926,247
Total financial assets at 31 December 2016	16,814,391	19,720,119	-	36,534,510

#### 18 Maturity profile of assets and liabilities

	Due on demand and up to 30 days RO	More than 1 month to 6 months RO	More than 6 months to 12 months RO	More than 1 year to 5 years RO	Over 5 years RO	Total RO
<b>31 March 2017</b>						
Total assets	72,305,116	70,757,161	38,165,568	177,284,009	203,957,469	562,469,323
Total liabilities, equity of unrestricted investment accountholders and owners' equity	34,309,144	104,011,225	54,129,993	166,395,408	203,623,553	562,469,323
Net gap	37,995,972	(33,254,064)	(15,964,425)	10,888,601	333,916	-
Cumulative net gap	37,995,972	4,741,908	(11,222,517)	(333,916)	-	-

	Due on demand and up to 30 days RO	More than 1 month to 6 months RO	More than 6 months to 12 months RO	More than 1 year to 5 years RO	Over 5 years RO	Total RO
<b>31 March 2016</b>						
Total assets	33,629,662	50,517,654	24,361,663	128,712,185	146,038,282	383,259,446
Total liabilities, equity of unrestricted investment accountholders and owners' equity	28,093,339	51,624,946	51,121,397	86,349,658	166,070,106	383,259,446
Net gap	5,536,323	(1,107,292)	(26,759,734)	42,362,527	(20,031,824)	-
Cumulative net gap	5,536,323	4,429,031	(22,330,703)	20,031,824	-	-

## BANK NIZWA SAOG

### Notes to the condensed interim financial information

31 March 2017(Un-audited)

#### 18 Maturity profile of assets and liabilities (continued)

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
	RO	RO	RO	RO	RO	RO
31 December 2016						
Total assets	89,733,755	48,984,528	23,820,769	154,260,569	199,195,756	515,995,377
Total liabilities, equity of unrestricted investment accountholders and owners' equity	46,248,748	61,465,317	87,199,402	147,456,162	173,625,748	515,995,377
Net gap	43,485,007	(12,480,789)	(63,378,633)	6,804,408	25,570,007	-
Cumulative net gap	43,485,007	31,004,218	(32,374,415)	(25,570,007)	-	-

#### 19 Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel III, is as follows:

Capital structure	31 March 2017 RO	31 March 2016 RO	31 December 2016 RO
Tier I capital	122,476,474	121,127,302	121,699,129
Tier II capital	6,107,112	4,399,117	5,451,071
<b>Total regulatory capital</b>	<b>128,583,586</b>	125,526,419	127,150,200
<b>Risk weighted assets</b>			
Credit risk	546,829,206	374,926,414	482,608,895
Market risk	18,603,665	16,897,074	32,047,791
Operational risk	31,572,803	21,704,390	23,006,077
Total risk weighted assets	597,005,674	413,527,878	537,662,763
<b>Tier I capital ratio</b>	<b>20.52%</b>	29.29%	22.63%
<b>Total capital ratio</b>	<b>21.54%</b>	30.36%	23.65%
<b>Common equity Tier 1 (CET1)</b>	<b>122,476,474</b>	121,127,302	121,699,129
<b>Common equity Tier 1 ratio</b>	<b>20.52%</b>	29.29%	22.63%

**BANK NIZWA SAOG****Notes to the condensed interim financial information***31 March 2017 (Un-audited)***20 LIQUIDITY COVERAGE RATIO**

	<b>31 March 2017</b>	31 March 2016	31 December 2016
<b>LCR (%)</b>	<b>136.77</b>	75.48	131.55

**21 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation, the effect of which is not material.