

BANK NIZWA SAOG

Statement of sources and uses of charity fund

30 June 2019 (Un-audited)

	RO
Sources of charity funds	
Undistributed charity funds and total source at 1 January 2018	-
Sharia non-compliant income	49,308
Total source	<u>49,308</u>
Uses of charity funds	
Charity for welfare	-
Total use	<u>-</u>
Undistributed charity funds at 30 June 2018	<u>49,308</u>
Undistributed charity funds and total source at 1 July 2018	49,308
Sharia non-compliant income	-
Total source	<u>49,308</u>
Uses of charity funds	
Charity for welfare	49,308
Total use	<u>49,308</u>
Undistributed charity funds at 31 December 2018 (Audited)	<u>-</u>
Undistributed charity funds and total source at 1 January 2019	-
Sharia non-compliant income	23,667
Total source	<u>23,667</u>
Uses of charity funds	
Charity for welfare	9,052
Total use	<u>9,052</u>
Undistributed charity funds at 30 June 2019	<u>14,615</u>

BANK NIZWA SAOG

Notes to the condensed interim financial information

30 June 2019 (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 thirteen 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 30 June 2019, the Bank had 366 employees (December 2018: 353 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

2.1 Basis of preparation and presentation

The condensed interim financial information of the Bank for the six months period ended 30 June 2019 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 2018. In addition, results of the six months period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 2018 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 30 June 2019.

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 2018.

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 financial assets carried at fair value through other comprehensive income.

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 2018.

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 2018.

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

3 CASH AND BALANCES WITH CENTRAL BANK OF OMAN

	<i>(Un-audited)</i> 30 June 2019 RO	<i>(Un-audited)</i> 30 June 2018 RO	<i>(Audited)</i> 31 December 2018 RO
Cash in hand	4,933,738	4,767,032	5,140,355
Balances with CBO	58,918,975	47,826,032	87,325,215
Capital deposit with CBO	500,001	500,001	500,001
Total	64,352,714	53,093,065	92,965,571

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

4 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	<i>(Un-audited)</i> 30 June 2019 RO	<i>(Un-audited)</i> 30 June 2018 RO	<i>(Audited)</i> 31 December 2018 RO
Local banks – local currency	-	284,284	228,668
Foreign banks – foreign currency	6,662,807	2,925,629	6,176,253
Less: Impairment losses	(4,940)	(3,159)	(5,372)
Total	6,657,867	3,206,754	6,399,549

5 INTER-BANK WAKALA INVESTMENTS – NET

	Jointly-financed		
	<i>(Un-audited)</i> 30 June 2019 RO	<i>(Un-audited)</i> 30 June 2018 RO	<i>(Audited)</i> 31 December 2018 RO
Local banks – local currency	-	5,000,000	-
Foreign banks – foreign currency	1,347,500	1,319,214	-
Less: Impairment losses	(19,040)	(21,013)	-
Total	1,328,460	6,298,201	-

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

6 SALES RECEIVABLES AND OTHER RECEIVABLES – NET

	30 June 2019 (Un-audited)		
	Jointly-financed RO	Self-financed RO	Total RO
Sales receivables (Murabaha) – retail	115,989,400	1,958,467	117,947,867
Sales receivables (Murabaha) – corporate	102,251,803	-	102,251,803
Istisna receivables – corporate	5,513,244	-	5,513,244
Ijara rent receivables - retail	48,601	-	48,601
Ijara rent receivables – corporate	317,497	-	317,497
Credit card receivables - Ijarah service (Ujrah)	2,023,171	-	2,023,171
Gross sales receivables and other receivables	<u>226,143,716</u>	<u>1,958,467</u>	<u>228,102,183</u>
Less: Deferred profit	(28,187,210)	(195,471)	(28,382,681)
Less: Impairment losses	(3,449,792)	(22,676)	(3,472,468)
Less: Reserved profit	(9,224)	(1,433)	(10,657)
Net sales receivables and other receivables	<u>194,497,490</u>	<u>1,738,887</u>	<u>196,236,377</u>

	30 June 2018 (Un-audited)		
	Jointly-financed RO	Self-financed RO	Total RO
Net sales receivables and other receivables	<u>163,354,090</u>	<u>1,798,307</u>	<u>165,152,397</u>

	31 December 2018 (Audited)		
	Jointly-financed RO	Self-financed RO	Total RO
Net sales receivables and other receivables	<u>180,452,067</u>	<u>1,816,543</u>	<u>182,268,610</u>

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

7 INVESTMENT SECURITIES

	<i>(Un-audited)</i> 30 June 2019 RO	<i>(Audited)</i> 31 December 2018 RO
Investment securities measured at amortised cost (note a)	2,002,000	2,002,000
Investment securities measured at FVTE – debt instruments (note b)	51,906,370	44,499,302
Investment securities designated as at FVTE – equity investments (note c)	3,503,170	3,759,932
Total before impairment losses	<u>57,411,540</u>	<u>50,261,234</u>
Less: impairment losses	<u>(229,629)</u>	<u>(227,360)</u>
	<u>57,181,911</u>	<u>50,033,874</u>

a. Financial assets at amortised cost

	Self-financed	
	<i>(Un-audited)</i> 30 June 2019 RO	<i>(Audited)</i> 31 December 2018 RO
Local listed Sukuk	2,002,000	2,002,000
Less: impairment losses	<u>(8,666)</u>	<u>(8,829)</u>
Total local listed Sukuk at amortised cost	<u>1,993,334</u>	<u>1,993,171</u>

b. Financial assets at fair value through equity – debt instruments

	Jointly-financed	
	<i>(Un-audited)</i> June 2019 RO	<i>(Audited)</i> December 2018 RO
Quoted investments		
Government Sukuk	27,695,952	24,430,853
Corporate Sukuk	3,957,900	4,665,323
Unquoted investments		
Government Sukuk	<u>20,252,518</u>	<u>15,403,126</u>
	51,906,370	44,499,302
Less: impairment losses	<u>(220,963)</u>	<u>(218,531)</u>
	<u>51,685,407</u>	<u>44,280,771</u>

c. Financial assets at fair value through equity – equity instruments

	Jointly-financed	
	<i>(Un-audited)</i> June 2019 RO	<i>(Audited)</i> December 2018 RO
Regional un-listed funds	3,169,505	3,435,404
Regional un-listed shares	273,867	262,339
Local listed shares	<u>59,798</u>	<u>62,189</u>
Total	<u>3,503,170</u>	<u>3,759,932</u>

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

7.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

	Jointly-financed	
	June 2019 (Un-audited)	
	Cost	Fair value
	RO	RO
International un-listed Sukuk	18,865,000	18,868,295
Regional un-listed Sukuk	1,384,223	1,384,223
Regional listed Sukuk	1,761,760	1,760,263
Regional un-listed funds	4,422,242	3,169,505
Regional un-listed shares	334,133	273,867
Local rated listed Sukuk	26,226,758	25,935,689
Local unrated listed Sukuk	3,957,900	3,957,900
Local listed shares	47,838	59,798
Less: impairment losses	-	(220,963)
30 June 2019	56,999,854	55,188,577
30 June 2018	45,568,579	44,358,815
31 December 2018 (Audited)	50,660,152	48,040,703

8 INVESTMENT IN REAL ESTATE

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 sales comparison and investment approach based valuation methodology and management believes that the fair value of investment in real estate is not materially different from its carrying value as at 30 June 2019. The Bank intends to sell the asset at the completion of lease agreement ending 30 June 2023.

BANK NIZWA SAOG**Notes to the condensed interim financial information (Continued)**

30 June 2019 (Un-audited)

9 IJARA MUNTAHIA BITTAMLEEK - NET

	30 June 2019 (Un-audited)		
	Jointly-financed	Self-financed	Total
	RO	RO	RO
Real estate			
Cost	337,524,136	13,063,889	350,588,025
Accumulated depreciation	(41,866,969)	(1,480,153)	(43,347,122)
Net book value	295,657,167	11,583,736	307,240,903
Equipment			
Cost	31,883,322	-	31,883,322
Accumulated depreciation	(18,279,883)	-	(18,279,883)
Net book value	13,603,439	-	13,603,439
Total			
Cost	369,407,458	13,063,889	382,471,347
Accumulated depreciation	(60,146,852)	(1,480,153)	(61,627,005)
Net book value before impairment losses	309,260,606	11,583,736	320,844,342
Less: impairment losses	(1,506,749)	(26,353)	(1,533,102)
Net book value after impairment losses	307,753,857	11,557,383	319,311,240

	30 June 2018 (Un-audited)		
	Jointly-financed	Self-financed	Total
	RO	RO	RO
Cost	332,931,080	12,438,786	345,369,866
Accumulated depreciation	(43,335,886)	(1,087,793)	(44,423,679)
Net book value before impairment losses	289,595,194	11,350,993	300,946,187
Less: impairment losses	(2,521,554)	(113,510)	(2,635,064)
Net book value after impairment losses	287,073,640	11,237,483	298,311,123

	31 December 2018 (Audited)		
	Jointly-financed	Self-financed	Total
	RO	RO	RO
Cost	357,858,148	13,270,226	371,128,374
Accumulated depreciation	(51,715,237)	(1,340,573)	(53,055,810)
Net book value before impairment losses	306,142,911	11,929,653	318,072,564
Less: impairment losses	(1,641,260)	(33,881)	(1,675,141)
Net book value after impairment losses	304,501,651	11,895,772	316,397,423

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

10 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

	<i>(Un-audited)</i> 30 June 2019 RO	<i>(Un-audited)</i> 30 June 2018 RO	<i>(Audited)</i> 31 December 2018 RO
Unrestricted investment account holders	303,944,447	321,564,643	322,850,958
Investment fair value reserve	(379,014)	(542,212)	(778,117)
Profit equalisation reserve	-	-	-
Investment risk reserve	513,559	344,848	434,216
Total	<u>304,078,992</u>	<u>321,367,279</u>	<u>322,507,057</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 30 June 2019, no shareholders of the Bank owned 10% or more of the Bank's paid up capital.

12 OPERATING EXPENSES

	<i>Six months</i> <i>ended</i> 30 June 2019 RO	<i>Six months</i> <i>ended</i> 30 June 2018 RO	<u>Quarter ended</u>	
			30 June 2019 RO	30 June 2018 RO
Rent expense	451,183	440,461	226,724	227,901
Advertisement	416,737	434,094	251,607	185,062
Maintenance expenses	398,133	309,246	190,863	184,870
Premises expenses	65,788	64,812	32,406	31,881
Government fees	81,614	83,732	41,489	41,491
Printing and stationery	56,485	44,490	24,602	23,320
Professional and consulting charges	76,206	75,327	39,601	40,975
Board of Directors and Sharia board expenses	58,939	53,982	27,645	26,037
Others	<u>1,100,755</u>	<u>1,110,916</u>	<u>565,194</u>	<u>506,782</u>
Total	<u>2,705,840</u>	<u>2,617,060</u>	<u>1,400,131</u>	<u>1,268,319</u>

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

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 profit. The aggregate amounts of balances with such related parties are as follows:

30 June 2019 (Un-audited)	Principal shareholders RO	Sharia'a Board RO	Senior management RO	Total RO
Sales receivables	12,304	10,286	187,345	209,935
Ijara Muntahia Bittamleek	445,180	150,185	1,181,826	1,777,191
Wakala Bil Istethmar	-	-	-	-
Customers' accounts	348,180	25,134	83,913	457,227
Unrestricted investment accountholders	1,570,145	1,388	62,597	1,634,130
Wakala Deposits	3,354,000	-	-	3,354,000
<i>30 June 2018 (Un-audited)</i>				
Sales receivables	55,744	13,916	122,084	191,744
Ijara Muntahia Bittamleek	667,308	79,523	523,037	1,269,868
Wakala Bil Istethmar	-	-	-	-
Customers' accounts	627,987	2,597	40,074	670,658
Unrestricted investment accountholders	5,418,728	44,011	238	5,462,977
<i>31 December 2018 (Audited)</i>				
Sales receivables	91,047	12,101	194,995	298,143
Ijara Muntahia Bittamleek	469,009	78,052	945,824	1,492,885
Wakala Bil Istethmar	9,000,000	-	-	9,000,000
Customers' accounts	856,030	665	20,826	877,521
Unrestricted investment accountholders	5,764,683	34,997	8,097	5,807,777

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

Six months ended 30 June 2019 (Un-audited)	Principal shareholders RO	Sharia'a Board RO	Senior management RO	Total RO
Profit income	11,101	3,443	18,193	32,737
Commissions	-	-	-	-
Staff cost	-	-	1,023,631	1,023,631
Other expenses	31,050	27,889	-	58,939
<i>Six months ended 30 June 2018 (Un-audited)</i>				
Profit income	80,040	2,380	9,851	92,271
Commissions	82	-	1	83
Staff cost	-	-	439,100	439,100
Other expenses	24,732	29,250	-	53,982

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

14 EARNINGS PER SHARE BASIC AND DILUTED (RO)

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to ordinary shareholders is as follows:

	<i>(Un-audited)</i> 30 June 2019 RO	<i>(Un-audited)</i> 30 June 2018 RO
Earnings for the period (RO)	4,295,168	2,618,116
Weighted average number of shares outstanding during the period	1,500,000,000	1,500,000,000
Earnings per share basic and diluted (RO)	0.003	0.002

Earnings per share basic and diluted has been derived by dividing profit for the period attributable to the shareholders' by weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share is same as the basic earnings per share.

15 CONTINGENT LIABILITIES AND COMMITMENTS

a) Contingent liabilities

	<i>(Un-audited)</i> 30 June 2019 RO	<i>(Un-audited)</i> 30 June 2018 RO	<i>(Audited)</i> 31 December 2018 RO
Total contingent liabilities (a)	119,943,387	83,002,862	101,744,155

b) Commitments

Total commitments (b)	91,796,229	79,888,741	84,065,123
Total contingent liabilities and commitments (a+b)	211,739,616	162,891,603	185,809,278

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (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>Six months ended 30 June 2019 (Un-audited)</i>	Retail banking RO	Corporate banking RO	Treasury & investment RO	Others RO	Total RO
Operating income	6,590,649	7,409,194	1,607,308	518,931	16,126,082
Net profit/ (loss)	656,168	2,869,333	1,020,555	(250,888)	4,295,168
Total assets	364,982,318	411,142,728	143,695,952	13,363,279	933,184,277
Total liabilities and unrestricted investment accountholders	351,351,492	381,870,829	33,209,855	24,978,563	791,410,739
<i>Six months ended 30 June 2018 (Un-audited)</i>	Retail banking RO	Corporate banking RO	Treasury & investment RO	Others RO	Total RO
Operating income	6,391,759	4,705,080	1,559,908	-	12,656,747
Net profit/ (loss)	162,944	2,048,719	951,405	(544,952)	2,618,116
Total assets	320,433,887	311,837,817	128,100,964	12,717,001	773,089,669
Total liabilities and unrestricted investment accountholders	317,258,918	301,563,396	115,869	20,987,688	639,925,871

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (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 classified under FVOCI	51,966,168	3,443,372	-	55,409,540
Investment in real estate	-	-	14,175,000	14,175,000
Total financial assets at 30 June 2019 (Un-audited)	51,966,168	3,443,372	14,175,000	69,584,540
Total financial assets at 30 June 2018 (Un-audited)	39,776,961	4,856,509	14,175,000	58,808,470
Total financial assets at 31 December 2018 (Audited)	44,561,491	3,697,743	14,175,000	62,434,234

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
30 June 2019 (Un-audited)						
Total assets	111,335,144	143,751,458	72,879,821	290,423,089	314,794,765	933,184,277
Total liabilities, equity of unrestricted investment accountholders and owners' equity	75,640,017	174,535,635	111,295,230	292,844,428	278,868,967	933,184,277
Net gap	35,695,127	(30,784,177)	(38,415,409)	(2,421,339)	35,925,798	-
Cumulative net gap	35,695,127	4,910,950	(33,504,459)	(35,925,798)	-	-

	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
30 June 2018 (Un-audited)						
Total assets	84,384,582	122,046,038	66,141,806	253,174,748	247,342,495	773,089,669
Total liabilities, equity of unrestricted investment accountholders and owners' equity	27,220,469	112,398,122	91,053,212	285,723,095	256,694,771	773,089,669
Net gap	57,164,113	9,647,916	(24,911,406)	(32,548,347)	(9,352,276)	-
Cumulative net gap	57,164,113	66,812,029	(41,900,623)	9,352,276	-	-

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

18 MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	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
31 December 2018 (Audited)						
Total assets	125,525,588	109,567,182	88,453,901	282,797,592	265,823,277	872,167,540
Total liabilities, equity of unrestricted investment accountholders and owners' equity	51,916,639	123,508,321	154,357,878	269,013,276	273,371,426	872,167,540
Net gap	73,608,949	(13,941,139)	(65,903,977)	13,784,316	(7,548,149)	-
Cumulative net gap	73,608,949	59,667,810	(6,236,167)	7,548,149	-	-

19 CAPITAL ADEQUACY

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

Capital structure	(Un-audited) 30 June 2019 RO	(Un-audited) 30 June 2018 RO	(Audited) 31 December 2018 RO
Tier I capital	133,207,478	124,859,736	131,763,260
Tier II capital	8,103,410	4,736,994	7,199,562
Total regulatory capital	141,310,888	129,596,730	138,962,822
Risk weighted assets			
Credit risk	914,637,716	867,168,269	797,090,550
Market risk	6,868,672	31,620,602	16,589,498
Operational risk	51,146,550	41,414,496	42,002,222
Total risk weighted assets	972,652,938	940,203,367	855,682,270
Tier I capital ratio	13.70%	13.28%	15.40%
Total capital ratio	14.53%	13.78%	16.24%
Common equity Tier 1 (CET1)	133,207,478	124,859,736	131,763,260
Common equity Tier 1 ratio	13.70%	13.28%	15.40%

20 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018	(Audited) 31 December 2018
LCR (%)	165.28	121.90	1569.344
NSFR (%)	116.33	116.32	126.82

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS

(a) Standard, special mention and non-performing Financing account

30 June 2019 (Un-audited)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms	Net Amount as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)	(8) = (3)-(5)
Standard	Stage 1	835,020,715	8,191,281	3,101,331	5,089,950	826,829,434	831,919,384
	Stage 2	91,704,424	647,296	1,549,474	(902,178)	91,057,128	90,154,950
	Stage 3	-	-	-	-	-	-
Subtotal		926,725,139	8,838,577	4,650,805	4,187,772	917,886,562	922,074,334
Special Mention	Stage 1	24,747,167	147,064	953,042	(805,978)	24,600,103	23,794,125
	Stage 2	45,759,133	311,007	4,664,358	(4,353,351)	45,448,126	41,094,775
	Stage 3	-	-	-	-	-	-
Subtotal		70,506,300	458,071	5,617,400	(5,159,329)	70,048,229	64,888,900
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	2,687	672	672	-	2,015	2,015
Subtotal		2,687	672	672	-	2,015	2,015
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	4,338	2,257	2,257	-	2,081	2,081
Subtotal		4,338	2,257	2,257	-	2,081	2,081
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	199,370	199,370	183,839	15,531	-	15,531
Subtotal		199,370	199,370	183,839	15,531	-	15,531
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	65,421,847	-	253,610	(253,610)	65,421,847	65,168,237
	Stage 2	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-
Subtotal		65,421,847	-	253,610	(253,610)	65,421,847	65,168,237
Total All	Stage 1	925,189,729	8,338,345	4,307,983	4,030,362	916,851,384	920,881,746
	Stage 2	137,463,557	958,303	6,213,832	(5,255,529)	136,505,254	131,249,725
	Stage 3	206,395	202,299	186,768	15,531	4,096	19,627
Total		1,062,859,681	9,498,947	10,708,583	(1,209,636)	1,053,360,734	1,052,151,098

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (CONTINUED)

(a) Standard, special mention and non-performing Financing accounts (Continued)

31 December 2018 (Audited)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms	Net Amount as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)	(8) = (3)-(5)
Standard	Stage 1	764,671,876	7,497,204	3,118,593	4,378,611	757,174,672	761,553,283
	Stage 2	56,777,746	322,474	1,350,452	(1,027,978)	56,455,272	55,427,294
	Stage 3	-	-	-	-	-	-
Subtotal		821,449,622	7,819,678	4,469,045	3,350,633	813,629,944	816,980,577
Special Mention	Stage 1	30,643,587	219,639	1,387,592	(1,167,953)	30,423,948	29,255,995
	Stage 2	36,609,169	222,867	2,164,018	(1,941,151)	36,386,302	34,445,151
	Stage 3	-	-	-	-	-	-
Subtotal		67,252,756	442,506	3,551,610	(3,109,104)	66,810,250	63,701,146
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-
Subtotal		-	-	-	-	-	-
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	96,718	51,424	80,092	(28,668)	45,294	16,626
Subtotal		96,718	51,424	80,092	(28,668)	45,294	16,626
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	189,452	137,817	117,776	20,041	51,635	71,676
Subtotal		189,452	137,817	117,776	20,041	51,635	71,676
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	52,906,147	-	232,732	(232,732)	52,906,147	52,673,415
	Stage 2	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-
Subtotal		52,906,147	-	232,732	(232,732)	52,906,147	52,673,415
Total All	Stage 1	848,221,610	7,716,843	4,738,917	2,977,926	840,504,767	843,482,693
	Stage 2	93,386,915	545,341	3,514,470	(2,969,129)	92,841,574	89,872,445
	Stage 3	286,170	189,241	197,868	(8,627)	96,929	88,302
Total		941,894,695	8,451,425	8,451,255	170	933,443,270	933,443,440

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)

(b) Restructured accounts

30 June 2019 (Un-audited)

Assets classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Reserv e profit as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)	(8)=(3)-(5)	(9)
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	6,045,481	51,182	993,235	(942,053)	5,994,299	5,052,246	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		6,045,481	51,182	993,235	(942,053)	5,994,299	5,052,246	-
Classified as non- performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		-	-	-	-	-	-	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	6,045,481	51,182	993,235	(942,053)	5,994,299	5,052,246	-
	Stage 3	-	-	-	-	-	-	-
		6,045,481	51,182	993,235	(942,053)	5,994,299	5,052,246	-

There is no restructured case as at 31 December 2018 that is required to be reported.

(c) Non-performing financing ratio

30 June 2019 (Un-audited)

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	-	-	-
Provisions required as per CBO norms/held as per IFRS 9	9,498,947	10,708,583	(1,209,636)
Gross NPA ratio	0.02	0.02	-
Net NPA ratio	0.01	0.01	-

31 December 2018 (Audited)

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	-	-	-
Provisions required as per CBO norms/held as per IFRS 9	8,451,425	8,451,255	170
Gross NPA ratio	0.04	0.04	-
Net NPA ratio	0.01	0.01	-

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)

(d) Movement in ECL

30 June 2019 (Un-audited)

	Stage 1 RO	Stage 2 RO	Stage 3 RO	Total RO
Exposure subject to ECL (Net) – as at Dec 31, 2018				
Gross financing, commitments and financial guarantees	795,315,463	93,386,915	286,170	888,988,548
Investment securities	44,499,226	-	-	44,499,226
Financial assets at amortised cost	2,002,000	-	-	2,002,000
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	6,404,921	-	-	6,404,921
	848,221,610	93,386,915	286,170	941,894,695
Expected Credit Loss- at as Dec 31, 2018				
Gross financing, commitments and financial guarantees	(4,506,185)	(3,514,470)	(197,868)	(8,218,523)
Investment securities	(218,531)	-	-	(218,531)
Financial assets at amortised cost	(8,829)	-	-	(8,829)
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	(5,372)	-	-	(5,372)
	(4,738,917)	(3,514,470)	(197,868)	(8,451,255)
Exposure subject to ECL (gross) 30 June 2019				
Gross financing, commitments and financial guarantees	859,767,882	137,463,557	206,395	997,437,834
Investment securities	55,409,540	-	-	55,409,540
Financial assets at amortised cost	2,002,000	-	-	2,002,000
Interbank wakala investments	1,347,500	-	-	1,347,500
Due from banks, central banks and other financial assets	6,662,807	-	-	6,662,807
	925,189,729	137,463,557	206,395	1,062,859,681
Net transfer between stages				
Gross financing, commitments and financial guarantees	64,452,419	44,076,642	(79,775)	108,449,286
Investment securities	10,910,314	-	-	10,910,314
Financial assets at amortised cost	-	-	-	-
Interbank wakala investments	1,347,500	-	-	1,347,500
Due from banks, central banks and other financial assets	257,886	-	-	257,886
	76,968,119	44,076,642	(79,775)	120,964,986
Charge for the period (net)				
Gross financing, commitments and financial guarantees	451,812	(2,699,362)	11,100	(2,236,450)
Investment securities	(2,433)	-	-	(2,433)
Financial assets at amortised cost	163	-	-	163
Interbank wakala investments	(19,040)	-	-	(19,040)
Due from banks, central banks and other Financial assets	432	-	-	432
	430,934	(2,699,362)	11,100	(2,257,328)

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)

(d) Movement in ECL

	Stage 1 RO	Stage 2 RO	Stage 3 RO	Total RO
Closing Balance - as at 30 June 2019				
Gross financing, commitments and financial guarantees	855,713,509	131,249,725	19,627	986,982,861
Investment securities	55,188,576	-	-	55,188,576
Financial assets at amortized cost	1,993,334	-	-	1,993,334
Interbank wakala investments	1,328,460	-	-	1,328,460
Due from banks, central banks and other financial assets	6,657,867	-	-	6,657,867
	<u>920,881,746</u>	<u>131,249,725</u>	<u>19,627</u>	<u>1,052,151,098</u>

31 December 2018 (Audited)

	Stage 1 RO	Stage 2 RO	Stage 3 RO	Total RO
Exposure subject to ECL (gross) 1 January 2018				
Gross financing, commitments and financial guarantees	745,117,371	47,798,399	346,610	793,262,380
Investment securities	35,230,787	-	-	35,230,787
Financial assets at amortised cost	7,000,000	-	-	7,000,000
Interbank wakala investments	16,397,550	-	-	16,397,550
Due from banks, central banks and other financial assets	3,464,495	-	-	3,464,495
	<u>807,210,203</u>	<u>47,798,399</u>	<u>346,610</u>	<u>855,355,212</u>
Expected credit loss - as at 1 January 2018	<u>(4,142,619)</u>	<u>(2,164,768)</u>	<u>(146,899)</u>	<u>(6,454,286)</u>
Exposure subject to ECL (Net) - as at 1 January 2018	<u>803,067,584</u>	<u>45,633,631</u>	<u>199,711</u>	<u>848,900,926</u>
Opening Balance (Day 1 impact) - as at 1 January 2018				
Gross financing, commitments and financial guarantees	741,286,554	45,633,631	199,711	787,119,896
Investment securities	34,985,296	-	-	34,985,296
Financial assets at amortised cost	6,968,368	-	-	6,968,368
Interbank wakala investments	16,371,905	-	-	16,371,905
Due from banks, central banks and other financial assets	3,455,461	-	-	3,455,461
	<u>803,067,584</u>	<u>45,633,631</u>	<u>199,711</u>	<u>848,900,926</u>
Exposure subject to ECL (gross) 31 December 2018				
Gross financing, commitments and financial guarantees	795,315,463	93,386,915	286,170	888,988,548
Investment securities	44,499,226	-	-	44,499,226
Financial assets at amortised cost	2,002,000	-	-	2,002,000
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	6,404,921	-	-	6,404,921
	<u>848,221,610</u>	<u>93,386,915</u>	<u>286,170</u>	<u>941,894,695</u>

BANK NIZWA SAOG

Notes to the condensed interim financial information (Continued)

30 June 2019 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)

(d) Movement in ECL

	Stage 1	Stage 2	Stage 3	Total
Net transfer between stages				
Gross financing, commitments and financial guarantees	50,198,091	45,588,516	(60,440)	95,726,167
Investment securities	9,268,365	-	-	9,268,365
Financial assets at amortised cost	(4,998,000)	-	-	(4,998,000)
Interbank wakala investments	(16,397,550)	-	-	(16,397,550)
Due from banks, central banks and other financial assets	2,940,426	-	-	2,940,426
	<u>41,011,332</u>	<u>45,588,516</u>	<u>(60,440)</u>	<u>86,539,408</u>
Charge for the period (net)				
Gross financing, commitments and financial guarantees	675,367	1,349,702	50,970	2,076,039
Investment securities	(26,959)	-	-	(26,959)
Financial assets at amortised cost	(22,803)	-	-	(22,803)
Interbank wakala investments	(25,645)	-	-	(25,645)
Due from banks, central banks and other financial assets	(3,663)	-	-	(3,663)
	<u>596,297</u>	<u>1,349,702</u>	<u>50,970</u>	<u>1,996,969</u>
Closing Balance - as at 31 December 2018				
Gross financing, commitments and financial guarantees	790,809,278	89,872,445	88,301	880,770,024
Investment securities	44,280,696	-	-	44,280,696
Financial assets at amortized cost	1,993,171	-	-	1,993,171
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	6,399,549	-	-	6,399,549
	<u>843,482,694</u>	<u>89,872,445</u>	<u>88,301</u>	<u>933,443,440</u>

22 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, due to implementation of IFRS 9 wherever necessary for the purpose of comparison and for better presentation, the effect of which is not material.

23 COMPARATIVE FIGURES

Certain comparative information has been reclassified to conform to the presentation adopted in these financial statements. Such reclassifications are immaterial and do not affect previously reported profit/(loss) or shareholders' equity.