

Statement of sources and uses of charity fund*31 March 2023 (Un-audited)*

	RO'000
Sources of charity funds	
Undistributed charity funds and total source at 1 January 2022	-
Sharia non-compliant income	8
Total source	<u>8</u>
 Uses of charity funds	
Charity for welfare	8
Total use	<u>8</u>
Undistributed charity funds at 31 March 2022	<u>-</u>
 Undistributed charity funds and total source at 1 April 2022	-
Sharia non-compliant income	37
Total source	<u>37</u>
 Uses of charity funds	
Charity for welfare	37
Total use	<u>37</u>
Undistributed charity funds at 31 December 2022 (<i>Audited</i>)	<u>-</u>
 Undistributed charity funds and total source at 1 January 2023	-
Sharia non-compliant income	12
Total source	<u>12</u>
 Uses of charity funds	
Charity for welfare	-
Total use	<u>-</u>
Undistributed charity funds at 31 March 2023	<u>12</u>

Notes to the condensed interim financial information

31 March 2023 (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 Stock Exchange "MSX" and its principal place of business is in Muscat, Sultanate of Oman.

The Bank's business operations commenced on 23 December 2012 and it currently operates through nineteen branches (March 2022: seventeen 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 2023, the Bank had 440 employees (March 2022: 421 employees).

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

The Bank has received a letter from Sohar International SAOG on 23 November 2021 on their intention to merge with the Bank. After receiving CBO approval, the Bank commenced the due diligence and are currently under advanced stage of this process.

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 three months period ended 31 March 2023 has been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), as modified by Central Bank of Oman. 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 2022. In addition, results of the three months period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The condensed interim financial information is 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 2022 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 condensed interim financial information for the period ended 31 March 2023.

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 2022, except as noted in 2.2.

Functional currency

The condensed interim financial information has been presented in Rials 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.

Judgements and estimates

The preparation of the interim condensed financial information in conformity with FAS as requires management to make judgements, estimates and assumption that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from 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 2022.

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 2022.

Notes to the condensed interim financial information (Continued)

31 March 2023 (Un-audited)

2. BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.2 New standards, interpretations and amendments issued.

Standards, interpretations and amendments to existing standards issued effective up to the date of issuance of the Bank's interim condensed financial information are disclosed below.

i. FAS 39 Financial Reporting for Zakah

AAOIFI has issued FAS 39 Financial Reporting for Zakah in 2021. The objective of this standard is to establish principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial Institution. This standard supersedes FAS 9 Zakah and is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

This standard shall apply to institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each institution within the Bank, this standard shall be applicable on all consolidated and separate standalone financial statements of an institution.

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period. The Bank is currently assessing the impact on adoption of this standard.

ii. FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting. Some of the significant revisions to the standard are as follows:

- a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b) Definition of Quassi equity is introduced;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- f) Disclosure of Zakah and Charity have been relocated to the notes;
- g) True and fair override has been introduced;
- h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i) Disclosures of related parties, subsequent events and going concern have been improved;
- j) Improvement in reporting for foreign currency, segment reporting;
- k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date and amendments to other AAOIFI FAS's; and
- l) The illustrative financial statements are not part of this standard and will be issued separately.

The Bank is currently assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its financial statements and may not result in changes to previously reported net profit or equity.

Notes to the condensed interim financial information (Continued)

31 March 2023 (Un-audited)

3 CASH AND BALANCES WITH CENTRAL BANK OF OMAN

	<i>(Un-audited)</i> 31 March 2023 RO'000	<i>(Un-audited)</i> 31 March 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
Cash in hand	7,722	6,301	6,828
Balances with CBO	16,244	50,442	45,250
Capital deposit with CBO	500	500	500
	<u>24,466</u>	<u>57,243</u>	<u>52,578</u>

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> 31 March 2023 RO'000	<i>(Un-audited)</i> 31 March 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
Foreign banks – foreign currency	7,041	13,643	11,995
Less: Impairment losses	(39)	(82)	(66)
	<u>7,002</u>	<u>13,561</u>	<u>11,929</u>

5 INTER-BANK WAKALA INVESTMENTS

	<i>(Un-audited)</i> 31 March 2023 RO'000	<i>(Un-audited)</i> 31 March 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
Local banks – local currency	20,000	18,000	25,000
Local banks – foreign currency	16,698	3,850	3,850
Profit receivable	88	24	235
	<u>36,786</u>	<u>21,874</u>	<u>29,085</u>
Less: Impairment losses	(277)	(135)	(32)
	<u>36,509</u>	<u>21,739</u>	<u>29,053</u>

Notes to the condensed interim financial information (Continued)
31 March 2023 (Un-audited)
6 SALES RECEIVABLES AND OTHER RECEIVABLES – NET

	31 March 2022 (Un-audited)		
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Sales receivables (Murabaha) – retail	151,023	1,749	152,772
Sales receivables (Murabaha) – corporate	154,400	-	154,400
Istisna receivables – corporate	1,710	-	1,710
Ijara rent receivables - retail	174	-	174
Ijara rent receivables – corporate	1,122	-	1,122
Credit card receivables	3,236	-	3,236
Gross sales receivables and other receivables	311,665	1,749	313,414
Less:			
Deferred profit	(27,089)	(167)	(27,256)
Less: Impairment losses	(10,635)	(14)	(10,649)
Less: Reserved profit	(168)	-	(168)
Net sales receivables and other receivables	273,773	1,568	275,341

	31 March 2022 (Un-audited)		
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Net sales receivables and other receivables	231,856	1,692	233,548

	31 December 2022 (Audited)		
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Net sales receivables and other receivables	270,397	1,533	271,930

Notes to the condensed interim financial information (Continued)

31 March 2023 (Un-audited)

7 INVESTMENT SECURITIES

	<i>(Un-audited)</i> 31 March 2023 RO'000	<i>(Un-audited)</i> 31 March 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
Debt instrument measured at amortised cost (note a)	2,002	2,002	2,002
Debt/equity instruments measured through equity (note b)	144,858	137,175	141,665
	146,860	139,177	143,667
Less: impairment losses	(323)	(564)	(130)
	146,537	138,613	143,537

a. Debt instrument measured at amortised cost

	<i>(Un-audited)</i> 31 March 2023 RO'000	<i>(Un-audited)</i> 31 March 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
		Self-financed	
Local listed Sukuk	2,002	2,002	2,002
Less: impairment losses	(15)	(15)	(6)
	1,987	1,987	1,996

b. Debt/equity instruments measured through equity

	<i>(Un-audited)</i> 31 March 2023 RO'000	<i>(Un-audited)</i> 31 March 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
		Jointly-financed	
Debt instruments measured through equity (note i)	141,475	134,601	139,415
Equity instruments measured through equity (note ii)	3,383	2,574	2,250
Total before impairment loss	144,858	137,175	141,665
Less: impairment losses	(308)	(549)	(124)
	144,550	136,626	141,541

i. Debt instruments measured through equity

	<i>(Un-audited)</i> 31 March 2023 RO'000	<i>(Un-audited)</i> 31 March 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
Quoted investments			
Government Sukuk	106,298	89,509	116,338
Corporate Sukuk	6,495	4,290	9,101
Unquoted investments			
Government Sukuk	28,682	40,802	13,976
	141,475	134,601	139,415
Less: impairment losses	(308)	(549)	(124)
	141,167	134,052	139,291

Notes to the condensed interim financial information (Continued)

31 March 2023 (Un-audited)

7 INVESTMENT SECURITIES (Continued)

ii. Equity instruments measured through equity

	(Un-audited) 31 March 2023 RO'000	(Un-audited) 31 March 2022 RO'000	(Audited) 31 December 2022 RO'000
Regional un-listed funds	1,157	2,353	1,178
Regional un-listed shares	189	189	189
Local listed shares	2,037	32	883
	3,383	2,574	2,250

7.1 DEBT/EQUITY INSTRUMENTS MEASURED THROUGH EQUITY

	Jointly-financed March 2023 (Un-audited)	
	Cost RO'000	Fair value RO'000
International un-listed Sukuk	27,982	27,983
International listed Sukuk	767	699
Regional un-listed Sukuk	7,044	6,900
Regional listed Sukuk	5,094	5,069
Regional un-listed funds	1,157	1,157
Regional un-listed shares	334	189
Local rated listed Sukuk	99,040	100,262
Local Unrated listed Sukuk	562	562
Local listed shares	2,077	2,037
Less: impairment losses	-	(308)
31 March 2023	144,057	144,550
31 March 2022 (Un-audited)	135,861	136,626
31 December 2022 (Audited)	140,784	141,541

8 INVESTMENT IN REAL ESTATE

During the year ended 31 December 2022, the Bank exited from this investment property through a financing contract with a counterparty. The transaction did not result in recognition of any gain or loss.

Notes to the condensed interim financial information (Continued)

31 March 2023 (Un-audited)

9 IJARA MUNTAHIA BITTAMLEEK - NET

31 March 2023 (Un-audited)			
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Real estate			
Cost	286,128	12,863	298,991
Accumulated depreciation	(61,326)	(3,048)	(64,374)
Net book value	224,802	9,815	234,617
Equipment			
Cost	20,651	-	20,651
Accumulated depreciation	(8,959)	-	(8,959)
Net book value	11,692	-	11,692
Total			
Cost	306,779	12,863	319,642
Accumulated depreciation	(70,285)	(3,048)	(73,333)
Net book value before impairment losses	236,494	9,815	246,309
Less: impairment losses	(1,411)	(13)	(1,424)
Net book value after impairment losses	235,083	9,802	244,885

31 March 2022 (Un-audited)			
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Cost	335,111	13,294	348,405
Accumulated depreciation	(59,948)	(2,647)	(62,595)
Net book value before impairment losses	275,163	10,647	285,810
Less: impairment losses	(1,612)	(3)	(1,615)
Net book value after impairment losses	273,551	10,644	284,195

31 December 2022 (Audited)			
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Cost	309,545	13,087	322,632
Accumulated depreciation	(68,023)	(3,047)	(71,070)
Net book value before impairment losses	241,522	10,040	251,562
Less: impairment losses	(1,002)	(12)	(1,014)
Net book value after impairment losses	240,520	10,028	250,548

Notes to the condensed interim financial information (Continued)

31 March 2023 (Un-audited)

10 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

	<i>(Un-audited)</i> 31 March 2023 RO'000	<i>(Un-audited)</i> 31 March 2022 RO'000 Restated	<i>Audited</i> 31 December 2022 RO'000
Inter-bank Wakala	17,340	10,515	11,571
Customers' Wakala	617,215	544,134	615,040
Unrestricted investment account holders	380,183	359,325	368,516
Investment fair value reserve	124	219	140
Investment risk reserve	-	13	-
	<u>1,014,862</u>	<u>914,206</u>	<u>995,267</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.

Equity of investment accountholders' fund is commingled with Bank's and Wakala fund to form one general Mudaraba pool. This pooled fund is used to fund and invest in banking assets generating income, however no priority is granted to any party for the purpose of investments and distribution of profits.

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 220,010,538 divided into 2,236,953,032 shares of a nominal value of RO 0.098 each (RO 220,010,538 divided into 2,236,953,032 shares of a nominal value of RO 0.098 each).

Aflaj Financial Investment LLC is the only shareholder which owns 10% or more of the Bank's shares. On 31 March 2023 shareholding of Aflaj Financial Investment LLC was 782,933,561 shares equivalent to 35% (31 March 2021 shareholding of Aflaj Financial Investment LLC was 782,933,561 shares equivalent to 35%).

12 OPERATING EXPENSES

	<i>(Un-audited)</i> 31 March 2023 RO	<i>(Un-audited)</i> 31 March 2022 RO
Advertisement	397	360
Maintenance expenses	353	349
Premises expenses	7	36
Government fees	58	54
Printing and stationery	47	33
Professional and consulting charges	188	123
Board of Directors and Sharia board expenses	265	40
Cards expense	353	142
Utilities expenses	223	167
Security and cleaning	82	72
Subscription expense	41	43
Others	204	139
Total	<u>2,218</u>	<u>1,558</u>

Notes to the condensed interim financial information (Continued)

31 March 2023 (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:

31 March 2023 (Un-audited)	Principal shareholders RO'000	Sharia'a Board RO'000	Senior management RO'000	Total RO'000
Sales receivables	150	-	77	227
Ijara Muntahia Bittamleek	354	64	1,128	1,546
Wakala Bil Istethmar	2,980	-	-	2,980
Musharaka Financing	4,619	-	231	4,850
Customers' accounts	464	1	219	684
Unrestricted investment accountholders / Customers' wakala	73,704		343	74,047
31 March 2022 (Un-audited)				
Sales receivables	161	52	135	348
Ijara Muntahia Bittamleek	387	67	1,416	1,870
Wakala Bil Istethmar	3,000	-	-	3,000
Musharaka Financing	3,467	108	257	3,832
Customers' accounts	9,691	6	264	9,961
Unrestricted investment accountholders / Customers' wakala	28,108	21	432	28,561
31 December 2022 (Audited)				
Sales receivables and other receivables	153	42	128	323
Ijara Muntahia Bittamleek	362	65	1,275	1,702
Wakala Bil Istethmar	2,980	-	-	2,980
Musharaka Financing	4,701	107	238	5,046
Customers' accounts	1,519	2	192	1,713
Unrestricted investment accountholders / Customers' wakala	73,568	-	333	73,901

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

Three months ended 31 March 2023 (Un-audited)	Principal shareholders RO'000	Sharia'a Board RO'000	Senior management RO'000	Total RO'000
Profit income	111	1	15	127
Profit expense	725	-	-	725
Staff cost	-	-	924	924
Other expenses	248	17	-	265
Three months ended 31 March 2022 (Un-audited)				
Profit income	77	3	13	93
Profit expense	307	-	-	307
Staff cost	-	-	823	823
Other expenses	26	14	-	40

Notes to the condensed interim financial information (Continued)

31 March 2023 (Un-audited)

14 EARNINGS PER SHARE BASIC AND DILUTED AND NET ASSETS PER SHARE

a. Earnings per share

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

	(Un-audited) 31 March 2023	(Un-audited) 31 March 2022
Earnings for the period (RO'000)	3,514	3,322
Weighted average number of shares outstanding during the period	2,236,953,032	2,236,953,032
Earnings per share basic and diluted (RO)	0.002	0.001

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.

b. Net asset per share

Net assets value per share is calculated by dividing the shareholders' equity at the reporting date by the number of shares outstanding.

	(Un-audited) 31 March 2023	(Un-audited) 31 March 2022	(Audited) 31 December 2022
Net assets (RO'000)	240,472	234,679	246,056
Number of shares at reporting date	2,236,953,032	2,236,953,032	2,236,953,032
Net asset per share (RO)	0.107	0.105	0.110

15 CONTINGENT LIABILITIES AND COMMITMENTS

	(Un-audited) 31 March 2023 RO'000	(Un-audited) 31 March 2022 RO'000	(Audited) 31 December 2022 RO'000
Contingent liabilities	255,742	242,728	228,360
Commitments	134,318	164,213	162,944
	390,060	406,941	391,304

Notes to the condensed interim financial information (Continued)

31 March 2023 (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 an overall basis and are not allocated to operating segments.

Segment information is as follows:

*Three months ended
31 March 2023
(Un-audited)*

	Retail banking RO'000	Corporate banking RO'000	Treasury & investment RO'000	Others RO'000	Total RO'000
Operating income	4,578	6,400	1,333	1,374	13,686
Net profit/(loss) for the period	259	1,970	521	763	3,514
Total assets	477,191	765,302	214,480	39,545	1,496,517
Total liabilities and unrestricted investment accountholders	560,398	641,433	17,340	36,874	1,256,045

*Three months ended
31 March 2022
(Un-audited)*

	Retail banking RO'000	Corporate banking RO'000	Treasury & investment RO'000	Others RO'000	Total RO'000
Operating income	4,312	6,004	1,719	321	12,356
Net profit for the period	822	1,481	1,290	(271)	3,322
Total assets	456,795	682,799	245,305	36,053	1,420,952
Total liabilities and unrestricted investment accountholders	544,578	589,966	10,515	41,214	1,186,273

Notes to the condensed interim financial information (Continued)
31 March 2023 (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'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Financial assets classified under FVOCI	40,602	104,256	-	144,858
Investment in real estate	-	-	-	-
Total financial assets at 31 March 2023 (Un-audited)	40,602	104,256	-	144,858
Total financial assets at 31 March 2022 (Un-audited)	37,374	99,801	14,175	151,350
Total financial assets at 31 December 2022 (Audited)	40,709	100,956	-	141,665

18 MATURITY PROFILE OF ASSETS AND LIABILITIES

	Due on demand and up to 30 days RO'000	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
31 March 2023 (Un-audited)						
Total assets	143,636	214,316	93,755	668,260	376,550	1,496,517
Total liabilities, equity of unrestricted investment accountholders and owners' equity	93,013	226,999	217,477	440,324	518,704	1,496,517
Net gap	50,623	(12,683)	(123,722)	227,936	(142,154)	-
Cumulative net gap	50,623	37,940	(85,782)	142,154	-	-

	Due on demand and up to 30 days RO'000	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
31 March 2022 (Un-audited)						
Total assets	105,665	210,426	105,399	662,325	337,137	1,420,952
Total liabilities, equity of unrestricted investment accountholders and owners' equity	82,263	191,029	194,562	459,968	493,130	1,420,952
Net gap	23,402	19,397	(89,163)	202,357	(155,993)	-
Cumulative net gap	23,402	42,799	(46,364)	155,993	-	-

Notes to the condensed interim financial information (Continued)

31 March 2023 (Un-audited)

18 MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	Due on demand and up to 30 days RO'000	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
31 December 2022 (Audited)						
Total assets	65,471	263,486	120,649	648,799	387,718	1,486,123
Total liabilities, equity of unrestricted investment accountholders and owners' equity	85,767	223,675	225,589	433,192	517,900	1,486,123
Net gap	(20,296)	39,811	(104,940)	215,607	(130,182)	-
Cumulative net gap	(20,296)	19,515	(85,425)	130,182	-	-

19 CAPITAL ADEQUACY

The principal objective of the Central Bank of Oman's (CBO) capital adequacy requirement is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a bank's balance sheet, in particular credit risk. CBO's risk based capital adequacy framework is consistent with the international standards of the Bank of International Settlement (BIS).

CBO requires the registered banks in the Sultanate of Oman to maintain minimum capital adequacy of 11 per cent based on letter BSD/2018/1 dated 20 March 2018. Additionally, it requires to maintain a capital conservation buffer (CCB) of 2.5 per cent annually in addition to 1 per cent of prompt corrective action. However, the circular BSD/CB/2020/001 dated 18 March 2020, relaxed the CCB requirements to 1.25 per cent and accordingly the minimum capital adequacy requirement has been reduced respectively. The ratio of equity to risk weighted assets, as formulated by the Basel III, is as follows:

Capital structure	(Un-audited) 31 March 2023 RO'000	(Un-audited) 31 March 2022 RO'000	(Audited) 31 December 2022 RO'000
Tier I capital	230,277	225,699	230,499
Tier II capital	9,873	9,648	9,236
Total regulatory capital	240,150	235,347	239,735
Risk weighted assets			
Credit risk	1,270,829	1,227,159	1,254,721
Market risk	91,968	82,877	97,247
Operational risk	85,063	72,887	85,063
Total risk weighted assets	1,447,860	1,382,923	1,437,031
Tier I capital ratio	15.90%	16.32%	16.04%
Total capital ratio	16.59%	17.02%	16.68%
Common equity Tier 1 (CET1)	230,277	225,699	230,499
Common equity Tier 1 ratio	15.90%	16.32%	16.04%

20 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

	(Un-audited) 31 March 2023	(Un-audited) 31 March 2022	(Audited) 31 December 2022
LCR (%)	479.60	205.89	233.94
NSFR (%)	133.10	127.06	136.09

Notes to the condensed interim financial information (Continued)

31 March 2023 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS
(a) Standard, special mention and non-performing Financing account

31 March 2023 (Un-audited)

Asset Classification as per CBO Norms	Asset Classification as per FAS 30	Gross Amount	Provision required as per CBO Norms	Provision held as per FAS 30	Difference between CBO provision required and provision held	Net Amount as per CBO norms	Net Amount as per FAS 30
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)	(8) = (3)-(5)
Standard	Stage 1	1,186,557	10,451	2,914	7,537	1,176,106	1,183,643
	Stage 2	220,792	1,290	6,647	(5,357)	219,502	214,145
	Stage 3	-	-	-	-	-	-
Subtotal		1,407,349	11,741	9,561	2,180	1,395,608	1,397,788
Special Mention	Stage 1	56,757	341	676	(335)	56,416	56,081
	Stage 2	171,982	1,569	10,776	(9,207)	170,413	161,206
	Stage 3	-	-	-	-	-	-
Subtotal		228,739	1,910	11,452	(9,542)	226,829	217,287
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	7,158	983	1,880	(897)	6,175	5,278
Subtotal		7,158	983	1,880	(897)	6,175	5,278
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	15,219	7,610	8,801	(1,191)	7,609	6,418
Subtotal		15,219	7,610	8,801	(1,191)	7,609	6,418
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	8,805	5,227	5,426	(199)	3,578	3,379
Subtotal		8,805	5,227	5,426	(199)	3,578	3,379
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	184,653	-	598	(598)	184,653	184,055
	Stage 2	2,563	-	41	(41)	2,563	2,522
	Stage 3	-	-	-	-	-	-
Subtotal		187,216	-	639	(639)	187,216	186,577
Total	Stage 1	1,427,967	10,792	4,188	6,604	1,417,175	1,423,779
	Stage 2	395,337	2,859	17,464	(14,605)	392,478	377,873
	Stage 3	31,182	13,820	16,107	(2,287)	17,362	15,075
		1,854,486	27,471	37,759	(10,288)	1,827,015	1,816,727

Notes to the condensed interim financial information (Continued)

31 March 2022 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS (CONTINUED)

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

31 December 2022 (Audited)

Asset Classification as per CBO Norms	Asset Classification as per FAS 30	Gross Amount	Provision required as per CBO Norms	Provision held as per FAS 30	Difference between CBO provision required and provision held	Net Amount as per CBO norms	Net Amount as per FAS 30
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)	(8) = (3)-(5)
Standard	Stage 1	1,175,042	10,365	2,761	7,604	1,164,677	1,172,281
	Stage 2	216,915	1,183	4,041	(2,858)	215,732	212,874
	Stage 3	-	-	-	-	-	-
Subtotal		1,391,957	11,548	6,802	4,746	1,380,409	1,385,155
Special Mention	Stage 1	48,136	329	535	(206)	47,807	47,601
	Stage 2	161,599	1,392	10,629	(9,237)	160,207	150,970
	Stage 3	-	-	-	-	-	-
Subtotal		209,735	1,721	11,164	(9,443)	208,014	198,571
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	18,961	3,856	8,677	(4,821)	15,105	10,284
Subtotal		18,961	3,856	8,677	(4,821)	15,105	10,284
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-
Subtotal		3,872	1,936	2,408	(472)	1,936	1,464
Loss	Stage 1	3,872	1,936	2,408	(472)	1,936	1,464
	Stage 2	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-
Subtotal		8,869	5,231	5,480	(249)	3,638	3,389
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	176,614	-	199	(199)	176,614	176,415
	Stage 2	5,648	-	29	(29)	5,648	5,619
	Stage 3	-	-	-	-	-	-
Subtotal		182,262	-	228	(228)	182,262	182,034
Total	Stage 1	1,399,792	10,694	3,495	7,199	1,389,098	1,396,297
	Stage 2	384,162	2,575	14,699	(12,124)	381,587	369,463
	Stage 3	31,702	11,023	16,565	(5,542)	20,679	15,137
		1,815,656	24,292	34,759	(10,467)	1,791,364	1,780,897

Notes to the condensed interim financial information (Continued)

31 March 2023 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS (Continued)

(b) Restructured accounts

31 March 2023 (Un-audited)

Assets classification as per CBO Norms	Asset Classification as per FAS 30	Gross Amount	Provision required as per CBO Norms	Provision held as per FAS 30	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per FAS 30	Reserve 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	72,618	468	917	(448)	72,149	71,701	-
	Stage 2	136,363	1,333	9,559	(8,226)	135,030	126,804	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		208,981	1,802	10,476	(8,674)	207,179	198,504	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	7,333	2,739	3,952	(1,214)	4,595	3,381	-
Sub Total		7,333	2,739	3,952	(1,214)	4,595	3,381	-
Total	Stage 1	72,618	468	917	(448)	72,149	71,701	-
	Stage 2	136,363	1,333	9,559	(8,226)	135,030	126,804	-
	Stage 3	7,333	2,739	3,952	(1,214)	4,595	3,381	-
		216,314	4,541	14,429	(9,888)	211,774	201,885	-

31 December 2022 (audited)

Assets classification as per CBO norms	Asset Classification as per FAS 30	Gross amount	Provision required as per CBO norms	Provision held as per FAS 30	Difference between CBO provision required and provision held	Net amount as per CBO norms*	Net amount as per FAS 30	Reserve 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	60,352	502	761	(259)	59,850	59,591	-
	Stage 2	126,004	1,203	8,107	(6,904)	124,801	117,897	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		186,356	1,705	8,868	(7,163)	184,651	177,488	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	7,949	2,745	4,382	(1,637)	5,204	3,567	-
Sub Total		7,949	2,745	4,382	(1,637)	5,204	3,567	-
Total	Stage 1	60,352	502	761	(259)	59,850	59,591	-
	Stage 2	126,004	1,203	8,107	(6,904)	124,801	117,897	-
	Stage 3	7,949	2,745	4,382	(1,637)	5,204	3,567	-
		194,305	4,450	13,250	(8,800)	189,855	181,055	-

(c) Non-performing financing ratio

31 March 2023 (Un-audited)

	As per CBO Norms	As per FAS 30	Difference
Impairment loss charged to profit and loss account	3,179	3,000	179
Provisions required as per CBO norms/held as per FAS 30	27,471	37,758	(10,287)
Gross NPL ratio	1.87	1.87	-
Net NPL ratio	1.06	0.92	(0.13)

31 December 2022 (Audited)

	As per CBO Norms	As per FAS 30	Difference
Impairment loss charged to profit and loss account	5,320	9,907	(4,587)
Provisions required as per CBO norms/held as per FAS 30	24,291	34,759	(10,468)
Gross NPL ratio	1.94	1.94	-
Net NPL ratio	1.29	0.95	0.34

Notes to the condensed interim financial information (Continued)

31 March 2022 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS (Continued)
(d) Movement in ECL
31 March 2023 (Un-audited)

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Exposure subject to ECL (gross) – as at Dec 31, 2022				
Gross financing, commitments and financial guarantees	1,223,177	378,515	31,702	1,633,394
Investment securities	135,770	3,645	-	139,415
Financial assets at amortised cost	-	2,002	-	2,002
Interbank wakala investments	28,850	-	-	28,850
Due from banks, central banks and other financial assets	11,995	-	-	11,995
	1,399,792	384,162	31,702	1,815,656
Net transfer between stages				
Gross financing, commitments and financial guarantees	20,138	14,258	(520)	33,876
Investment securities	5,143	(3,083)	-	2,060
Financial assets at amortised cost	-	-	-	-
Interbank wakala investments	7,848	-	-	7,848
Due from banks, central banks and other financial assets	(4,954)	-	-	(4,954)
	28,175	11,175	(520)	38,830
Exposure subject to ECL (gross) 31 March 2023				
Gross financing, commitments and financial guarantees	1,243,315	392,773	31,182	1,667,270
Investment securities	140,913	562	-	141,475
Financial assets at amortised cost	-	2,002	-	2,002
Interbank wakala investments	36,698	-	-	36,698
Due from banks, central banks and other financial assets	7,041	-	-	7,041
	1,427,967	395,337	31,182	1,854,486
Expected Credit Loss - as at Dec 31, 2022				
Gross financing, commitments and financial guarantees	(3,296)	(14,670)	(16,565)	(34,531)
Investment securities	(101)	(23)	-	(124)
Financial assets at amortised cost	-	(6)	-	(6)
Interbank wakala investments	(32)	-	-	(32)
Due from banks, central banks and other financial assets	(66)	-	-	(66)
	(3,495)	(14,699)	(16,565)	(34,759)
Charge for the period (net)				
Gross financing, commitments and financial guarantees	(295)	(2,752)	458	(2,589)
Investment securities	(180)	(4)	-	(184)
Financial assets at amortised cost	-	(9)	-	(9)
Interbank wakala investments	(245)	-	-	(245)
Due from banks, central banks and other Financial assets	27	-	-	27
	(693)	(2,765)	458	(3,000)

Notes to the condensed interim financial information (Continued)
31 March 2022 (Un-audited)
21 COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS (Continued)
(d) Movement in ECL

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Closing Balance - as at 31 March 2023				
Gross financing, commitments and financial guarantees	1,239,724	375,351	15,075	1,630,150
Investment securities	140,632	535	-	141,167
Financial assets at amortized cost	-	1,987	-	1,987
Interbank wakala investments	36,421	-	-	36,421
Due from banks, central banks and other financial assets	7,002	-	-	7,002
	1,423,779	377,873	15,075	1,816,727

31 March 2022 (Un-audited)

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Exposure subject to ECL (Gross) – as at Dec 31, 2021				
Gross financing, commitments and financial guarantees	1,066,463	429,947	6,930	1,503,340
Investment securities	119,970	3,647	-	123,617
Financial assets at amortised cost	-	1,982	-	1,982
Interbank wakala investments	26,786	-	-	26,786
Due from banks, central banks and other financial assets	5,851	-	-	5,851
	1,219,070	435,576	6,930	1,661,576
Net transfer between stages				
Gross financing, commitments and financial guarantees	43,973	13,950	11,329	69,252
Investment securities	10,926	58	-	10,984
Financial assets at amortised cost	-	20	-	20
Interbank wakala investments	(4,936)	-	-	(4,936)
Due from banks, central banks and other financial assets	7,792	-	-	7,792
	57,755	14,028	11,329	83,112

Exposure subject to ECL (gross) 31 March 2022

Gross financing, commitments and financial guarantees	1,110,436	443,897	18,259	1,572,592
Investment securities	130,896	3,705	-	134,601
Financial assets at amortised cost	-	2,002	-	2,002
Interbank wakala investments	21,850	-	-	21,850
Due from banks, central banks and other financial assets	13,643	-	-	13,643
	1,276,825	449,604	18,259	1,744,688

Notes to the condensed interim financial information (Continued)
31 March 2022 (Un-audited)
21 COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS (Continued)

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Expected Credit Loss - as at Dec 31, 2021				
Gross financing, commitments and financial guarantees	(2,887)	(13,789)	(7,191)	(23,867)
Investment securities	(638)	(58)	-	(696)
Financial assets at amortised cost	-	(20)	-	(20)
Interbank wakala investments	(214)	-	-	(214)
Due from banks, central banks and other financial assets	(55)	-	-	(55)
	<u>(3,794)</u>	<u>(13,867)</u>	<u>(7,191)</u>	<u>(24,852)</u>
Charge for the period (net)				
Gross financing, commitments and financial guarantees	155	(1,444)	(1,865)	(3,154)
Investment securities	137	10	-	147
Financial assets at amortised cost	-	5	-	5
Interbank wakala investments	79	-	-	79
Due from banks, central banks and other Financial assets	(27)	-	-	(27)
	<u>344</u>	<u>(1,429)</u>	<u>(1,865)</u>	<u>(2,950)</u>
Closing Balance - as at 31 March 2022				
Gross financing, commitments and financial guarantees	1,107,704	428,664	9,203	1,545,571
Investment securities	130,395	3,657	-	134,052
Financial assets at amortized cost	-	1,987	-	1,987
Interbank wakala investments	21,715	-	-	21,715
Due from banks, central banks and other financial assets	13,561	-	-	13,561
	<u>1,273,375</u>	<u>434,308</u>	<u>9,203</u>	<u>1,716,886</u>