

Notes to the condensed interim financial information

30 September 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 twenty one branches (September 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 30 September 2023, the Bank had 457 employees (September 2022: 430 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 nine months period ended 30 September 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 requirements 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 FAS 41 – 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 nine months period ended 30 September 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 30 September 2022.

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)

30 September 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 condensed interim 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 and will provide the necessary disclosures in its annual financial statements.

ii. FAS 41 Interim financial reporting

This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institutions in line with various financial accounting standards issued by AAOIFI. This standard is also applicable to the institutions which prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard is effective for financial statements for the period beginning on or after 1 January 2023.

The Bank adopted this standard for the basis of preparation of its condensed interim financial information. The adoption of this standard did not have any significant impact on the Bank's interim financial information.

Notes to the condensed interim financial information (Continued)*30 September 2023 (Un-audited)***3 CASH AND BALANCES WITH CENTRAL BANK OF OMAN**

	<i>(Un-audited)</i> 30 September 2023 RO'000	<i>(Un-audited)</i> 30 September 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
Cash in hand	7,414	6,979	6,828
Balances with CBO	57,461	37,632	45,250
Capital deposit with CBO	500	500	500
	<u>65,375</u>	<u>45,111</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> 30 September 2023 RO'000	<i>(Un-audited)</i> 30 September 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
Foreign banks – foreign currency	4,857	7,072	11,995
Less: Impairment losses	(2)	(41)	(66)
	<u>4,855</u>	<u>7,031</u>	<u>11,929</u>

5 INTER-BANK WAKALA INVESTMENTS

	<i>(Un-audited)</i> 30 September 2023 RO'000	<i>(Un-audited)</i> 30 September 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
Local banks – local currency	15,000	9,400	25,000
Local banks – foreign currency	13,196	17,460	3,850
Profit receivable	42	84	235
	<u>28,238</u>	<u>26,944</u>	<u>29,085</u>
Less: Impairment losses	(4)	(210)	(32)
	<u>28,234</u>	<u>26,734</u>	<u>29,053</u>

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

30 September 2023 (Un-audited)			
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Sales receivables (Murabaha) – retail	166,186	1,723	167,909
Sales receivables (Murabaha) – corporate	130,865	-	130,865
Istisna receivables – corporate	1,552	-	1,552
Ijara rent receivables – retail	237	-	237
Ijara rent receivables – corporate	460	-	460
Credit card receivables	3,499	-	3,499
Gross sales receivables and other receivables	302,799	1,723	304,522
Less:			
Deferred profit	(28,294)	(167)	(28,461)
Less: Impairment losses	(26,866)	-	(26,866)
Less: Reserved profit	(222)	-	(222)
Net sales receivables and other receivables	247,417	1,556	248,973

30 September 2022 (Un-audited)			
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Net sales receivables and other receivables	265,917	1,619	267,536

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)

30 September 2023 (Un-audited)

7 INVESTMENT SECURITIES

	<i>(Un-audited)</i> 30 September 2023 RO'000	<i>(Un-audited)</i> 30 September 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)	149,612	168,557	141,665
	151,614	170,559	143,667
Less: impairment losses	(187)	(712)	(130)
	151,427	169,847	143,537

a. Debt instrument measured at amortised cost

	<i>(Un-audited)</i> 30 September 2023 RO'000	<i>(Un-audited)</i> 30 September 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	(4)	(15)	(6)
	1,998	1,987	1,996

b. Debt/equity instruments measured through equity

	<i>(Un-audited)</i> 30 September 2023 RO'000	<i>(Un-audited)</i> 30 September 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
		Jointly-financed	
Debt instruments measured through equity (note i)	146,664	166,002	139,415
Equity instruments measured through equity (note ii)	2,948	2,555	2,250
Total before impairment loss	149,612	168,557	141,665
Less: impairment losses	(183)	(697)	(124)
	149,429	167,860	141,541

i. Debt instruments measured through equity

	<i>(Un-audited)</i> 30 September 2023 RO'000	<i>(Un-audited)</i> 30 September 2022 RO'000	<i>(Audited)</i> 31 December 2022 RO'000
Quoted investments			
Government Sukuk	108,945	121,731	116,338
Corporate Sukuk	9,294	3,698	9,101
Unquoted investments			
Government Sukuk	28,425	40,573	13,976
	146,664	166,002	139,415
Less: impairment losses	(183)	(697)	(124)
	146,481	165,305	139,291

Notes to the condensed interim financial information (Continued)

30 September 2023 (Un-audited)

7 INVESTMENT SECURITIES (Continued)

ii. Equity instruments measured through equity

	(Un-audited) 30 September 2023 RO'000	(Un-audited) 30 September 2022 RO'000	(Audited) 31 December 2022 RO'000
Regional un-listed funds	1,160	2,346	1,178
Regional un-listed shares	188	189	189
Local listed shares	1,600	20	883
	2,948	2,555	2,250

7.1 DEBT/EQUITY INSTRUMENTS MEASURED THROUGH EQUITY

	Jointly-financed September 2023 (Un-audited)	
	Cost RO'000	Fair value RO'000
International un-listed Sukuk	27,715	27,707
International listed Sukuk	768	718
Regional un-listed Sukuk	9,599	9,504
Regional listed Sukuk	6,104	6,078
Regional un-listed funds	1,160	1,160
Regional un-listed shares	334	188
Local rated listed Sukuk	98,215	99,271
Local Unrated listed Sukuk	3,329	3,386
Local listed shares	2,076	1,600
Less: impairment losses	-	(183)
30 September 2023	149,300	149,429
30 September 2022 (Un-audited)	168,041	167,860
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)
30 September 2023 (Un-audited)
9 IJARA MUNTAHIA BITTAMLEEK - NET

30 September 2023 (Un-audited)			
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Real estate			
Cost	278,048	12,621	290,669
Accumulated depreciation	(63,624)	(3,280)	(66,904)
Net book value	214,424	9,341	223,765
Equipment			
Cost	20,885	-	20,885
Accumulated depreciation	(10,408)	-	(10,408)
Net book value	10,477	-	10,477
Total			
Cost	298,933	12,621	311,554
Accumulated depreciation	(74,032)	(3,280)	(77,312)
Net book value before impairment losses	224,901	9,341	234,242
Less: impairment losses	(3,385)	(13)	(3,398)
Net book value after impairment losses	221,516	9,328	230,844

30 September 2022 (Un-audited)			
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Cost	312,508	13,292	325,800
Accumulated depreciation	(65,395)	(2,938)	(68,333)
Net book value before impairment losses	247,113	10,354	257,467
Less: impairment losses	(1,494)	(21)	(1,515)
Net book value after impairment losses	245,619	10,333	255,952

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)

30 September 2023 (Un-audited)

10 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

	<i>(Un-audited)</i> 30 September 2023 RO'000	<i>(Un-audited)</i> 30 September 2022 RO'000	<i>Audited</i> 31 December 2022 RO'000
Inter-bank Wakala	74,419	3,862	11,571
Customers' Wakala	606,110	623,823	615,040
Unrestricted investment account holders	374,273	375,469	368,516
Investment fair value reserve	44	82	140
Investment risk reserve	-	-	-
	<u>1,054,846</u>	<u>1,003,236</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 30 September 2023 shareholding of Aflaj Financial Investment LLC was 782,933,561 shares equivalent to 35% (30 September 2022 shareholding of Aflaj Financial Investment LLC was 782,933,561 shares equivalent to 35%).

12 OPERATING EXPENSES

	Nine months <i>ended</i> 30 September 2023 RO	<i>Nine months</i> <i>ended</i> 30 September 2022 RO	Quarter ended 30 September 2023 RO	30 September 2022 RO
Advertisement	1,303	1,458	410	537
Maintenance expenses	1,110	1,014	306	363
Premises expenses	19	46	4	4
Government fees	180	191	66	60
Printing and stationery	133	75	46	21
Professional and consulting charges	381	311	76	89
Board of Directors and Sharia board expenses	347	113	38	43
Cards expenses	1,146	695	363	320
Utilities	569	539	174	151
Security and cleaning	261	212	91	71
Subscription expense	135	122	52	41
Others	589	544	208	278
Total	<u>6,173</u>	<u>5,320</u>	<u>1,834</u>	<u>1,978</u>

Notes to the condensed interim financial information (Continued)

30 September 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 from which it earns significant profit. The aggregate amounts of balances with such related parties are as follows:

30 September 2023 (Un-audited)	Principal shareholders RO'000	Sharia'a Board RO'000	Senior management RO'000	Total RO'000
Sales receivables	152	-	110	262
Ijara Muntahia Bittamleek	336	-	1,163	1,499
Wakala Bil Istethmar	-	-	-	-
Musharaka Financing	4,680	-	253	4,933
Customers' accounts	382	-	192	574
Unrestricted investment accountholders / Customers' wakala	87,727		244	87,971
30 September 2022 (Un-audited)				
Sales receivables	156	45	107	308
Ijara Muntahia Bittamleek	370	66	1,346	1,782
Wakala Bil Istethmar	2,450	-	-	2,450
Musharaka Financing	4,342	107	245	4,694
Customers' accounts	2,893	1	278	3,172
Unrestricted investment accountholders / Customers' wakala	74,248	5	336	74,589
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:

Nine months ended 30 September 2023 (Un-audited)	Principal shareholders RO'000	Sharia'a Board RO'000	Senior management RO'000	Total RO'000
Profit income	209	-	48	257
Profit expense	2,610	-	-	2,610
Staff cost	-	-	1,930	1,930
Other expenses	303	44	-	347
Nine months ended 30 September 2022 (Un-audited)				
Profit income	197	9	39	245
Profit expense	1,241	-	-	1,241
Staff cost	-	-	1,939	1,785
Other expenses	72	40	-	112

Notes to the condensed interim financial information (Continued)
30 September 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:

	<i>(Un-audited) Nine months ended 30 September 2023</i>	<i>(Un-audited) Nine months ended 30 September 2022</i>	<i>(Un-audited) Quarter ended 30 September 2023</i>	<i>(Un-audited) Quarter ended 30 September 2022</i>
Earnings for the period (RO'000)	11,680	10,729	4,463	4,316
Weighted average number of shares outstanding during the period	<u>2,236,953,032</u>	<u>2,236,953,032</u>	<u>2,236,953,032</u>	<u>2,236,953,032</u>
Earnings per share basic and diluted (RO)	<u>0.005</u>	<u>0.005</u>	<u>0.002</u>	<u>0.002</u>

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.

	<i>(Un-audited) 30 September 2023</i>	<i>(Un-audited) 30 September 2022</i>	<i>(Audited) 31 December 2022</i>
Net assets (RO'000)	248,230	241,424	246,056
Number of shares at reporting date	<u>2,236,953,032</u>	<u>2,236,953,032</u>	<u>2,236,953,032</u>
Net asset per share (RO)	<u>0.111</u>	<u>0.108</u>	<u>0.110</u>

15 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Un-audited) 30 September 2023 RO'000</i>	<i>(Un-audited) 30 September 2022 RO'000</i>	<i>(Audited) 31 December 2022 RO'000</i>
Contingent liabilities	241,639	250,288	228,360
Commitments	<u>116,628</u>	<u>193,110</u>	<u>162,944</u>
	<u>358,267</u>	<u>443,398</u>	<u>391,304</u>

Notes to the condensed interim financial information (Continued)

30 September 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:

*Nine months ended
30 September 2023
(Un-audited)*

	Retail banking RO'000	Corporate banking RO'000	Treasury & investment RO'000	Others RO'000	Total RO'000
Operating income	14,582	17,884	4,274	3,887	40,627
Net profit for the period	1,351	5,418	3,008	1,903	11,680
Total assets	494,798	784,351	249,849	40,637	1,569,635
Total liabilities and unrestricted investment accountholders	566,030	634,010	74,419	46,946	1,321,405

*Nine months ended
30 September 2022
(Un-audited)*

	Retail banking RO'000	Corporate banking RO'000	Treasury & investment RO'000	Others RO'000	Total RO'000
Operating income	13,661	18,133	5,839	583	38,216
Net profit/(loss) for the period	1,856	5,352	4,790	(1,269)	10,729
Total assets	465,983	723,054	262,708	35,387	1,487,132
Total liabilities and unrestricted investment accountholders	549,256	660,263	3,862	32,327	1,245,708

Notes to the condensed interim financial information (Continued)
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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	39,140	110,472	-	149,612
Total financial assets at 30 September 2023 (Un-audited)	39,140	110,472	-	149,612
Total financial assets at 30 September 2022 (Un-audited)	40,216	128,341	14,175	182,732
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
30 September 2023 (Un-audited)						
Total assets	162,327	150,555	158,479	700,539	397,735	1,569,635
Total liabilities, equity of unrestricted investment accountholders and owners' equity	141,366	209,090	221,193	471,395	526,591	1,569,635
Net gap	20,961	(58,535)	(62,714)	229,144	(128,856)	-
Cumulative net gap	20,961	(37,574)	(100,288)	128,856	-	-
30 September 2022 (Un-audited)						
Total assets	76,662	248,447	112,787	652,826	396,410	1,487,132
Total liabilities, equity of unrestricted investment accountholders and owners' equity	74,273	206,641	227,249	457,107	521,862	1,487,132
Net gap	2,389	41,806	(114,462)	195,719	(125,452)	-
Cumulative net gap	2,389	44,195	(70,267)	125,452	-	-
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	-	-

Notes to the condensed interim financial information (Continued)

30 September 2023 (Un-audited)

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) 30 September 2023 RO'000	(Un-audited) 30 September 2022 RO'000	(Audited) 31 December 2022 RO'000
Tier I capital	229,601	227,095	230,499
Tier II capital	9,610	10,931	9,236
Total regulatory capital	239,211	238,026	239,735
Risk weighted assets			
Credit risk	1,329,174	1,291,987	1,254,721
Market risk	78,080	111,909	97,247
Operational risk	85,063	72,887	85,063
Total risk weighted assets	1,492,317	1,476,783	1,437,031
Tier I capital ratio	15.39%	15.38%	16.04%
Total capital ratio	16.03%	16.12%	16.68%
Common equity Tier 1 (CET1)	229,601	227,095	230,499
Common equity Tier 1 ratio	15.39%	15.38%	16.04%

20 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

	(Un-audited) 30 September 2023	(Un-audited) 30 September 2022	(Audited) 31 December 2022
LCR (%)	116.66	221.60	191.47
NSFR (%)	135.91	128.74	136.09

Notes to the condensed interim financial information (Continued)

30 September 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

30 September 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	1,213,542	11,031	3,205	7,826	1,202,511	1,210,337
	Stage 2	245,748	1,530	6,562	(5,032)	244,218	239,186
	Stage 3	-	-	-	-	-	-
Subtotal		1,459,290	12,561	9,767	2,794	1,446,729	1,449,523
Special Mention	Stage 1	48,404	405	933	(528)	47,999	47,471
	Stage 2	139,128	1,256	11,281	(10,025)	137,872	127,847
	Stage 3	-	-	-	-	-	-
Subtotal		187,532	1,661	12,214	(10,553)	185,871	175,318
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	430	108	194	(86)	322	236
Subtotal		430	108	194	(86)	322	
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	23,269	11,635	14,171	(2,536)	11,634	9,098
Subtotal		23,269	11,635	14,171	(2,536)	11,634	9,098
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	9,010	5,636	5,769	(133)	3,374	3,241
Subtotal		9,010	5,636	5,769	(133)	3,374	3,241
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	181,719	-	193	(193)	181,719	181,526
	Stage 2	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-
Subtotal		181,719	-	193	(193)	181,719	181,526
Total	Stage 1	1,443,665	11,436	4,331	7,105	1,432,229	1,439,334
	Stage 2	384,876	2,786	17,843	(15,057)	382,090	367,033
	Stage 3	32,709	17,379	20,134	(2,755)	15,330	12,575
		1,861,250	31,601	42,308	(10,707)	1,829,649	1,818,942

Notes to the condensed interim financial information (Continued)

30 September 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	3,872	1,936	2,408	(472)	1,936	1,464
Subtotal		3,872	1,936	2,408	(472)	1,936	1,464
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	8,869	5,231	5,480	(249)	3,638	3,389
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)

30 September 2023 (Un-audited)

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

(b) Restructured accounts

30 September 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	66,681	545	1,237	(692)	66,136	65,444	-
	Stage 2	117,586	1,163	10,837	(9,674)	116,423	106,749	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		184,267	1,708	12,074	(10,366)	182,559	172,193	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	8,605	4,302	5,101	(799)	4,302	3,504	-
Sub Total		8,605	4,302	5,101	(799)	4,302	3,504	-
Total	Stage 1	66,681	545	1,237	(692)	66,136	65,444	-
	Stage 2	117,586	1,163	10,837	(9,674)	116,423	106,749	-
	Stage 3	8,605	4,302	5,101	(799)	4,302	3,504	-
		192,872	6,010	17,175	(11,165)	186,862	175,697	-

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

30 September 2023 (Un-audited)

	As per CBO Norms	As per FAS 30	Difference
Impairment loss charged to profit and loss account	7,308	7,549	(241)
Provisions required as per CBO norms/held as per FAS 30	31,601	42,308	(10,707)
Gross NPL ratio	1.95	1.95	-
Net NPL ratio	0.93	0.77	0.16

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)
30 September 2022 (Un-audited)
21 COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS (Continued)
(d) Movement in ECL
30 September 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	38,769	6,361	1,007	46,137
Investment securities	10,894	(3,645)	-	7,249
Financial assets at amortised cost	2,002	(2,002)	-	-
Interbank wakala investments	(654)	-	-	(654)
Due from banks, central banks and other financial assets	(7,138)	-	-	(7,138)
	43,873	714	1,007	45,594
Exposure subject to ECL (gross) 30 September 2023				
Gross financing, commitments and financial guarantees	1,261,946	384,876	32,709	1,679,531
Investment securities	146,664	-	-	146,664
Financial assets at amortised cost	2,002	-	-	2,002
Interbank wakala investments	28,196	-	-	28,196
Due from banks, central banks and other financial assets	4,857	-	-	4,857
	1,443,665	384,876	32,709	1,861,250
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	(842)	(3,173)	(3,569)	(7,584)
Investment securities	(82)	23	-	(59)
Financial assets at amortised cost	(4)	6	-	2
Interbank wakala investments	28	-	-	28
Due from banks, central banks and other Financial assets	64	-	-	64
	(836)	(3,144)	(3,569)	(7,549)

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

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Closing Balance - as at 30 September 2023				
Gross financing, commitments and financial guarantees	1,257,808	367,033	12,575	1,637,416
Investment securities	146,481	-	-	146,481
Financial assets at amortized cost	1,998	-	-	1,998
Interbank wakala investments	28,192	-	-	28,192
Due from banks, central banks and other financial assets	4,855	-	-	4,855
	1,439,334	367,033	12,575	1,818,942

30 September 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	1,069,350	443,736	14,121	1,527,207
Investment securities	120,608	3,705	-	124,313
Financial assets at amortised cost	-	2,002	-	2,002
Interbank wakala investments	27,000	-	-	27,000
Due from banks, central banks and other financial assets	5,906	-	-	5,906
	1,222,864	449,443	14,121	1,686,428
Net transfer between stages				
Gross financing, commitments and financial guarantees	100,966	24,742	8,087	133,795
Investment securities	41,696	(7)	-	41,689
Financial assets at amortised cost	-	-	-	-
Interbank wakala investments	(140)	-	-	(140)
Due from banks, central banks and other financial assets	1,166	-	-	1,166
	143,688	24,735	8,087	176,510

Exposure subject to ECL (gross) 30 September 2022

Gross financing, commitments and financial guarantees	1,170,316	468,478	22,208	1,661,002
Investment securities	162,304	3,698	-	166,002
Financial assets at amortised cost	-	2,002	-	2,002
Interbank wakala investments	26,860	-	-	26,860
Due from banks, central banks and other financial assets	7,072	-	-	7,072
	1,366,552	474,178	22,208	1,862,938

Notes to the condensed interim financial information (Continued)
30 September 2022 (Un-audited)
21 COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS (Continued)
(d) Movement in ECL (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)
	(3,794)	(13,867)	(7,191)	(24,852)
Charge for the period (net)				
Gross financing, commitments and financial guarantees	(608)	(2,486)	(4,663)	(7,757)
Investment securities	-	-	-	-
Financial assets at amortised cost	-	5	-	5
Interbank wakala investments	4	-	-	4
Due from banks, central banks and other Financial assets	14	-	-	14
	(590)	(2,481)	(4,663)	(7,734)
Closing Balance - as at 30 September 2022				
Gross financing, commitments and financial guarantees	1,166,821	452,203	10,354	1,629,378
Investment securities	161,666	3,640	-	165,306
Financial assets at amortized cost	-	1,987	-	1,987
Interbank wakala investments	26,650	-	-	26,650
Due from banks, central banks and other financial assets	7,031	-	-	7,031
	1,362,168	457,830	10,354	1,830,352

22 COMPARATIVE FIGURES

Certain comparative information has been restated 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.