

BANK NIZWA SAOG

Notes to the interim condensed financial information

30 June 2017(Un-audited)

3	CASH AND BALANCES WITH CENTRAL BANK OF OMAN	30 June 2017 RO	30 June 2016 RO	Audited 31 December 2016 RO
	Cash in hand	3,715,402	5,013,556	4,783,329
	Balances with CBO	41,019,255	10,204,074	11,470,234
	Capital deposit with CBO	500,001	346,095	346,095
	Total	45,234,658	15,563,725	16,599,658

3.1 The capital deposit with the CBO cannot be withdrawn without its prior approval.

4	DUE FROM BANKS AND FINANCIAL INSTITUTIONS	30 June 2017 RO	30 June 2016 RO	Audited 31 December 2016 RO
	Local banks – local currency	600,268	881,198	495,362
	Foreign banks – foreign currency	4,498,045	4,796,946	4,424,211
	Total	5,098,313	5,678,144	4,919,573

5	INTER-BANK WAKALA INVESTMENTS – NET	Jointly-financed		
		30 June 2017 RO	30 June 2016 RO	Audited 31 December 2016 RO
	Local banks – local currency	10,000,000	-	34,000,065
	Foreign banks – foreign currency	-	-	7,397,840
	Total	10,000,000	-	41,397,905

6	SALES RECEIVABLES AND OTHER RECEIVABLE - NET	30 June 2017		
		Jointly- financed RO	Self- financed RO	Total RO
	Sales receivables – retail	94,857,812	2,090,054	96,947,866
	Sales receivables – corporate	55,878,427	-	55,878,427
	Istisna receivables – corporate	4,147,779	-	4,147,779
	Ijara rent receivables - retail	17,919	-	17,919
	Ijara rent receivables – corporate	124,860	-	124,860
	Credit card receivables - Ijarah service (Ujrah)	552,098	-	552,098
	Gross sales receivables and other receivables	155,578,895	2,090,054	157,668,949
	Less:			
	Deferred profit	(22,693,053)	(224,250)	(22,917,303)
	General provision	(2,167,396)	(41,801)	(2,209,197)
	Specific provision	(37,541)	(22,037)	(59,578)
	Reserved profit	(11,280)	(595)	(11,875)
	Net sales receivables and other receivables	130,669,625	1,801,371	132,470,996

BANK NIZWA SAOG

Notes to the interim condensed financial information

30 June 2017(Un-audited)

6 SALES RECEIVABLES AND OTHER RECEIVABLE – NET (continued)

	30 June 2016		
	Jointly-financed RO	Self- financed RO	Total RO
Net sales receivables and other receivables	<u>88,390,072</u>	<u>1,513,906</u>	<u>89,903,978</u>
	31 December 2016		
	Jointly-financed RO	Self- financed RO	Total RO
Net sales receivables and other receivables (audited)	<u>98,399,665</u>	<u>1,703,668</u>	<u>100,103,333</u>

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

	Jointly-financed	
	Cost RO	Fair value RO
International un-listed Sukuk	1,531,903	1,607,330
International listed Sukuk	6,718,074	6,763,675
Regional listed Sukuk	2,173,410	2,143,283
Regional un-listed funds	5,054,035	5,167,930
Regional un-listed shares	334,100	334,100
Local listed Sukuk	23,253,631	23,137,150
Local listed shares	56,378	96,970
Impairment loss provision regional un-listed investments	(71,761)	(71,761)
30 June 2017	<u>39,049,770</u>	<u>39,178,677</u>
30 June 2016	<u>22,819,650</u>	<u>22,742,303</u>
31 December 2016 (audited)	<u>22,175,015</u>	<u>22,359,510</u>

BANK NIZWA SAOG

Notes to the interim condensed financial information

30 June 2017(Un-audited)

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 cash flow based valuation methodology and believes that the fair value of investment in real estate is not materially different from its carrying value as at 30 June 2017.

9 IJARA MUNTAHIA BITTAMLEEK - NET

	30 June 2017		
	Jointly-financed	Self-financed	Total
	RO	RO	RO
Real estate			
Cost	258,555,669	10,066,990	268,622,659
Accumulated depreciation	(17,794,160)	(685,510)	(18,479,670)
Net book value	240,761,509	9,381,480	250,142,989
Equipment			
Cost	23,842,350	-	23,842,350
Accumulated depreciation	(8,104,536)	-	(8,104,536)
Net book value	15,737,814	-	15,737,814
Total			
Cost	282,398,019	10,066,990	292,465,009
Accumulated depreciation	(25,898,696)	(685,510)	(26,584,206)
Net book value	256,499,323	9,381,480	265,880,803
General provision	(3,229,993)	(93,815)	(3,323,808)
Ijara Muntahia Bittamleek - net	253,269,330	9,287,665	262,556,995

BANK NIZWA SAOG

Notes to the interim condensed financial information

30 June 2017(Un-audited)

9 IJARA MUNTAHIA BITTAMLEEK - NET (CONTINUED)

	30 June 2016		
	Jointly-financed	Self-financed	Total
	RO	RO	RO
Cost	213,278,670	8,600,369	221,879,039
Accumulated depreciation	(13,121,226)	(383,948)	(13,505,174)
Net book value	200,157,444	8,216,421	208,373,865
General provision	(2,501,575)	(82,164)	(2,583,739)
Ijara Muntahia Bittamleek - net	197,655,869	8,134,257	205,790,126

	31 December 2016		
	Jointly-financed	Self-financed	Total
	RO	RO	RO
Cost	247,766,932	8,975,680	256,742,612
Accumulated depreciation	(19,311,445)	(522,977)	(19,834,422)
Net book value	228,455,487	8,452,703	236,908,190
General provision	(2,769,898)	(84,527)	(2,854,425)
Ijara Muntahia Bittamleek - net	225,685,589	8,368,176	234,053,765

10 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

	30 June 2017 RO	30 June 2016 RO	31 December 2016 RO
Unrestricted investment account holders	206,907,544	90,471,367	157,984,717
Investment fair value reserve	42,564	(11,259)	50,181
Profit equalisation reserve	-	917,265	779,239
Investment risk reserve	232,868	80,298	160,124
Total	207,182,976	91,457,671	158,974,261

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 2017, no shareholders of the Bank owned 10% or more of the Bank's paid up capital.

BANK NIZWA SAOG

Notes to the interim condensed financial information

30 June 2017(Un-audited)

12 OPERATING EXPENSES

	Six months ended 30 June 2017 RO	Six months ended 30 June 2016 RO	<u>Quarter ended</u>	
			30 June 2017 RO	30 June 2016 RO
Rent expense	435,149	435,648	217,275	218,489
Advertisement	313,219	295,910	185,321	158,273
Hardware and software maintenance	345,049	291,047	171,913	158,241
Premises expenses	72,103	222,920	36,853	184,868
Government fees	77,966	75,371	38,215	37,382
Printing and stationery	42,020	52,813	21,667	32,969
Professional and consulting charges	90,427	57,990	56,302	30,407
Board of Directors and Sharia board expenses	69,231	67,096	36,204	34,598
Others	1,155,963	978,970	575,313	424,126
Total	2,601,127	2,477,765	1,339,063	1,279,353

13 RELATED PARTY TRANSACTIONS

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

30 June 2017	Principal shareholders RO	Sharia'a Board RO	Senior management RO	Total RO
Sales receivables and other receivables	362,823	17,546	121,148	501,517
Ijara Muntahia Bittamleek	1,743,102	82,406	584,932	2,410,440
Wakala Bil Istithmar	190,867	-	-	190,867
Customers' accounts	685,293	904	297,684	983,881
Unrestricted investment accountholders	4,474,830	1	275	4,475,106
30 June 2016	Principal shareholders RO	Sharia'a Board RO	Senior management RO	Total RO
Sales receivables	589,621	21,177	132,529	743,327
Ijara Muntahia Bittamleek	2,054,221	85,231	644,564	2,784,016
Customers' accounts	557,594	19,399	366,764	943,757
Unrestricted investment accountholders	2,196,087	4,600	117,658	2,318,345
31 December 2016 (audited)	Principal shareholders RO	Sharia'a Board RO	Senior management RO	Total RO
Sales receivables	419,453	19,361	120,133	558,947
Ijara Muntahia Bittamleek	1,837,778	83,835	610,529	2,532,142
Customers' accounts	612,990	1,799	200,508	815,297
Unrestricted investment accountholders	3,354,000	13	-	3,354,013

BANK NIZWA SAOG

Notes to the interim condensed financial information

30 June 2017(Un-audited)

13 RELATED PARTY TRANSACTION (CONTINUED)

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

<i>Six months ended 30 June 2017</i>	Principal shareholders RO	Sharia'a Board RO	Senior management RO	Total RO
Profit income	20,410	2,432	9,783	32,625
Commissions	88	-	-	88
Staff cost	-	-	472,248	472,248
Other expenses	38,400	30,831	18,850	88,081
<i>Six months ended 30 June 2016</i>	Principal shareholders RO	Sharia'a Board RO	Senior management RO	Total RO
Profit income	166,521	543	9,915	176,979
Staff cost	-	-	408,411	408,411
Other expenses	36,900	30,196	306,525	373,621

14 PROFIT / (LOSS) PER SHARE BASIC AND DILUTED

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

	30 June 2017 RO	30 June 2016 RO
Profit/ (loss) for the period (RO)	1,303,406	(727,126)
Weighted average number of shares outstanding during the period	1,500,000,000	1,500,000,000
Profit/ (loss) per share basic and diluted (RO)	0.001	-

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

15 CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2017 RO	30 June 2016 RO	Audited 31 December 2016 RO
Total contingent liabilities	73,740,510	51,879,620	55,765,510
Total commitments	96,142,096	89,400,700	105,411,154
Total contingent liabilities and commitments	169,882,606	141,280,320	161,176,664

BANK NIZWA SAOG

Notes to the interim condensed financial information

30 June 2017(Un-audited)

16 SEGMENT REPORTING

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

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

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

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

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

Segment information is as follows:

<i>Six months ended 30 June 2017</i>	Retail banking RO	Corporate banking RO	Treasury & investment RO	Others RO	Total RO
Operating income	7,007,085	2,333,015	1,385,461	-	10,725,561
Net profit / (loss)	1,696,588	9,491	(236,437)	(166,236)	1,303,406
Total assets	277,085,305	201,928,208	120,686,648	13,298,839	612,999,000
Total liabilities and unrestricted investment accountholders	181,927,434	260,163,826	18,953,529	23,637,331	484,682,120
<i>Six months ended 30 June 2016</i>	Retail banking RO	Corporate banking RO	Treasury & investment RO	Others RO	Total RO
Operating income	4,483,919	2,451,187	940,303	-	7,875,409
Net (loss)/ profit	(813,892)	474,232	(387,466)	-	(727,126)
Total assets	214,774,365	130,696,955	65,159,172	10,706,865	421,337,357
Total liabilities and unrestricted investment accountholders	144,167,941	108,037,819	26,950,000	16,157,402	295,313,162

BANK NIZWA SAOG

Notes to the interim condensed financial information

30 June 2017(Un-audited)

17 FINANCIAL INSTRUMENTS TRANSFER BETWEEN LEVEL 1, LEVEL 2 AND LEVEL 3

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

	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
Financial assets at fair value through equity	33,748,408	5,430,269	-	39,178,677
Investment in real estate	-	-	14,175,000	14,175,000
At 30 June 2017	33,748,408	5,430,269	14,175,000	53,353,677
At 30 June 2016	17,431,159	5,311,144	14,175,000	36,917,303
At 31 December 2016	16,814,391	5,545,119	14,175,000	36,534,510

18 MATURITY PROFILE OF ASSETS AND LIABILITIES

	Due on demand and up to 30 days RO	More than 1 month to 6 months RO	More than 6 months to 12 months RO	More than 1 year to 5 years RO	Over 5 years RO	Total RO
30 June 2017						
Total assets	73,816,450	78,672,583	42,751,459	193,554,613	224,203,895	612,999,000
Total liabilities, equity of unrestricted investment accountholders and owners' equity	42,472,710	89,760,937	62,808,672	207,943,435	210,013,246	612,999,000
Net gap	31,343,740	(11,088,354)	(20,057,213)	(14,388,822)	14,190,649	-
Cumulative net gap	31,343,740	20,255,386	198,173	(14,190,649)	-	-

	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 2016 (audited)						
Total assets	89,733,755	48,984,528	23,820,769	154,260,569	199,195,756	515,995,377
Total liabilities, equity of unrestricted investment accountholders and owners' equity	46,248,748	61,465,317	87,199,402	147,456,162	173,625,748	515,995,377
Net gap	43,485,007	(12,480,789)	(63,378,633)	6,804,407	25,570,008	-
Cumulative net gap	43,485,007	31,004,218	(32,374,415)	(25,570,008)	-	-

BANK NIZWA SAOG

Notes to the interim condensed financial information

30 June 2017(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
30 June 2016						
Total assets	50,843,525	39,071,405	25,591,415	133,518,575	172,312,437	421,337,357
Total liabilities, equity of unrestricted investment accountholders and owners' equity	36,116,792	58,132,824	68,667,991	90,957,101	167,462,649	421,337,357
Net gap	14,726,733	(19,061,419)	(43,076,576)	42,561,474	4,849,788	-
Cumulative net gap	14,726,733	(4,334,686)	(47,411,262)	(4,849,788)	-	-

19 CAPITAL ADEQUACY

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

Capital structure	30 June 2017 RO	Audited 31 December 2016 RO	30 June 2016 RO
Tier I capital	121,907,197	121,699,129	120,830,906
Tier II capital	6,415,218	5,451,071	4,766,831
Total regulatory capital	128,322,415	127,150,200	125,597,737
Risk weighted assets			
Credit risk	575,735,266	482,608,895	412,134,964
Market risk	8,382,377	32,047,791	28,439,698
Operational risk	31,992,964	23,006,077	21,988,438
Total risk weighted assets	616,110,607	537,662,763	462,563,100
Tier I capital ratio	19.79%	22.63%	26.12%
Total capital ratio	20.83%	23.65%	27.15%
Common equity Tier 1 (CET1)	121,907,197	121,699,129	120,830,906
Common equity Tier 1 ratio	19.79%	22.63%	26.12%

BANK NIZWA SAOG**Notes to the interim condensed financial information***30 June 2017 (Un-audited)***20 LIQUIDITY COVERAGE RATIO**

	30 June 2017	31 December 2016	30 June 2016
LCR (%)	102.21	131.55	147.79

21 Corresponding figures

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