

CIRCULAR BM/980

December 18, 2004

To: All Licensed Banks Operating in the Sultanate of Oman

After Compliments,

Sub: Master Circular on Submission of Audited Annual Financial Statements by Licensed Banks

1. As Banks are aware, in terms of Article 72 (a) of the Banking Law 2000, the Central Bank has powers to establish procedures for submission of annual reports by banks, audited by independent auditors.
2. In terms of Article 74 (repeated) of the Banking Law 2000 and Regulation 49/3/2004 on Relationship of the Central Bank of Oman with External Auditors, licensed banks are required to ensure that their external auditors meet with Central Bank, by prior appointment after submitting the financial statements for approval.
3. Pursuant to the above provisions, licensed banks shall comply with the requirements specified in this circular, which is issued in super session of Circulars BM 771, BM 913 and BM 966.

Submission of financial statements for approval

4. All licensed banks are required to prepare Balance Sheet and Profit and Loss account each financial year, in accordance with the International Financial Reporting Standards (IFRS). Licensed banks are required to submit draft audited Balance Sheet and Profit and Loss account alongwith a scheme of appropriation and distribution of the profit for the year for approval in respect of local banks and details of profits proposed to be remitted to Head Office by foreign banks. Further, licensed banks are required to prepare the financial statements as per the forms CBO/MDR/1 to 5, attached to this circular.
5. Licensed banks are required to forward the following documents, duly signed by the authorized signatories of the bank and the External Auditors, as per the formats prescribed herein under, in a single lot, while seeking the approval of the Central Bank.

- i) Draft audited Balance Sheet and Profit and Loss Account, prepared in accordance with IFRS, alongwith the notes on accounts.
 - ii) External Auditor's interim report duly signed or initialed by the Auditors.
 - iii) Management Report issued by the Auditor.
 - iv) Financial statements as per the forms CBO/MDR/1 to 5 alongwith notes on minimum disclosure requirements.
 - v) Scheme of appropriation and distribution of profit for the year (Attachment-I) or details of profits proposed to be remitted to Head office by foreign banks operating within the Sultanate of Oman (Attachment-IA)
 - vi) Schedule of classified loans with specific loan loss provisions and reserve interest held as at 31st December (Attachment-II)
 - vii) Schedule of account-wise movement in specific provisions and reserve interest for the year (Attachment – III)
 - viii) Schedule of summary movement of provisions and reserve interest (Attachment – IV)
 - ix) Schedule on the adequacy of provisions (Attachment – V)
 - x) Schedule on restructured / rescheduled Loans (Attachment – VI)
 - xi) Schedule on assets written-off (Attachment – VII)
 - xii) Schedule on own investments in shares (Attachment – VIII)
 - xiii) List of specially mentioned accounts as per CBO Examiner (Attachment - IX)
 - xiv) Format seeking confirmation of Net worth or Capital and Reserves for various regulatory limits indicating clear break-ups.
6. With reference to the valuation of investment portfolio, it may please be noted that the revised IAS 32 and IAS 39 standards would come into effect from 1st January 2005 requiring banks to recognize changes in fair value of 'available for sale' investments in equity. Accordingly, in partial modification of our instructions contained in Circular BM 920 dated 11th November 2001, fair value changes arising on account of 'available for sale' investments should be recognized under equity with effect from 1st January 2005.
7. Locally incorporated banks having branches overseas shall submit, in addition to the above, separate sets of Balance Sheet and Profit and Loss account in the forms MDR 1 to 3 alongwith a summary of movement in provisions and reserve interest for their operations in Oman and each foreign country.
8. Locally incorporated banks having Subsidiaries or Joint Ventures or other forms of organization, incorporated locally or overseas, shall submit separate sets of Balance Sheet and Profit and Loss account in the forms MDR 1 to 3 for each such entity as well as a consolidated statement for the Group as a whole, consolidating the accounts in terms of the IFRS.

Due Date for Submission of Financial Statements for Approval

9. The licensed banks are required to submit the above documents along with draft audited financials, duly approved by the Board, for the prior approval of the Central Bank before presenting the same to Annual General Meeting, latest by 31st January of the following year.

Meeting of Auditors

10. After submitting the financial statements for approval, licensed banks are required to seek an appointment for the meeting of the External Auditors with the Central Bank. Approval of financial statements is subject to the meeting with the External Auditors.
11. Central Bank may establish direct access with the external auditors in the circumstances when it considers that such contacts are necessary to ensure financial integrity, or whenever found necessary.

Publication of Financial Statements

12. All licensed banks shall publish by 31st March of the following year, after obtaining the approval from the Central Bank, in at least one Arabic Language newspaper published in the Sultanate a summarized Balance Sheet and Profit and Loss Account in Form MDR-5 and MDR-3, respectively.
13. Banks should ensure that the financial statements submitted to the Central Bank, Balance Sheet and Profit and Loss Account printed for the shareholders and other stakeholders and the published financial statements are consistent with each other.
14. As you are aware, in terms of Article 70 of the Banking Law 2000, micro level credit information cannot be disclosed, without the consent of the Central Bank of Oman, to any Government agency or any person. Banks may, however, submit the financial statements to Capital Market Authority prior to the approval of the same by the Central Bank, subject to complying fully with the provisions as contained in Circular BM 977 dated 25th September 2004 and with a disclosure that the financial statements are subject to the approval by the Central Bank. Further, banks should ensure that the audited financial statements are submitted simultaneously to the Central Bank for approval.

15. All licensed banks shall comply with the provisions of this Circular and failure to comply with any of the requirements of this circular shall render such bank liable to sanctions and such other actions, as prescribed under the Banking Law and Regulations.

Best regards,

Hamood Sangour Al-Zadjali
The Executive President

Encl: MDR forms 1 to 5
Attachment I to IX

**I. Scheme of appropriation and distribution of profit for the year.....
(applicable only for locally incorporated banks)**

Sl No	Details	Amount RO 000's
1	Net Profit for the year	
2	Retained Earnings brought forward	
3	Transfer from Reserves (please specify)	
4	Transferred to Legal Reserve	
5	Transferred to Statutory Reserve	
6	Transferred to Investment Fluctuation Reserve	
7	Transferred to General Reserve	
8	Transferred to Sub-ordinated Debt Reserve	
9	Transferred to any other Reserve (please specify)	
10	Proposed Cash Dividends	
11	Proposed Stock Dividends	
12	Any other appropriations (please specify)	
13	Retained Earnings	

- Net profit for the year should tally with the profit and loss account
- Under 'Any other appropriations' the details are to be specified.
- Total of items 1 to 3 should match with the total of items 4 to 13.

I. A. Proforma for reporting details of profits proposed to be remitted to Head Office by foreign banks operating within the Sultanate of Oman

Name of the Bank :

Financial Year:

SI No	Details	Amount RO 000's
1	Income during the year	
2	Expenditure during the year	
	a. Within the Sultanate of Oman	
	b. H.O. expenses	
3	Net profit as per the Profit & Loss Account	
4	H.O. Expenses charged to P&L Account of the Oman offices of the bank	
5	Actual provisions made	
	a. For Tax	
	b. For loan loss provisions	
	c. For impairment in Investments	
	d. For terminal benefits in respect of the staff	
	i) Staff recruited and held on the rolls of the Oman offices	
	ii) Staff posted by the Corporate Office / Controlling Office with item wise break-up	
	e. For any other purpose, with item wise break-up	
6	Amount transferred to reserves (give details)	
7	Adjustment towards outstanding tax liabilities of previous years, if any	
8	Amount, if any, retained within the Sultanate for meeting Capital Adequacy requirements	
9	Amount to be remitted to Head Office	

- Alongwith the format duly filled in, a copy of the latest income tax clearance certificate is to be attached to facilitate expeditious disposal.

**II. Schedule of classified loans with specific loan loss provisions and reserve interest held as at
31- Dec-**

SI No	Name of the Borrower	Status of Classification As at 31-Dec-	As per Examiner's list (Reference Date:)				Balance outstanding as at 31-Dec-		Value of Securities (as per CBO extant norms)	Specific Provisions required as per CBO norms	Specific Provisions required as per IFRS norms	Specific Provisions held
			Outstanding Balance	Reserve interest	Eligible Securities	Specific Provisions	Balance	Reserve Interest				
A. As per Examiner's List (in the same order)												
1												
2												
..												
B. Accounts not classified by Examiners, but classified by the Bank / External Auditors												
1												
2												
..												
C. Other Accounts												
	Total (A+B+C)											

- Names of the borrower should appear in the same order as appearing in the Examiner's list
- Value of Securities are to be computed on the basis of paras 13.7 and 13.8 of Circular BM 977
- Total of outstanding balance as at 31st December should tally with the figures indicated in the financials.
- Aggregate Provisions held should be higher, on a portfolio basis, of that determined under the Central Bank's or IFRS norms

III. Schedule of account-wise movement of specific provisions and reserve interest for the year

Sl No	Name of the Borrower	Specific Provisions			Reserve Interest		
		Made during the year	Written back / released during the year	Written off during the year	Suspended during the year	Written back / released during the year	Written off during the year
1	2	3	4	5	6	7	8
	A. As per Examiner's List (in the same order)						
	B. Accounts not classified by Examiners, but classified by the Bank / External Auditors						
	C. Other Accounts						
	Total (A+B+C)						

- Total under Column 3 should tally with the provisions made during the year as per P&L Account
- Total under Columns 3 to 8 should tally with the movement in provisions and reserve interest indicated under Notes on Accounts.

IV. Schedule on summary movement of provisions and reserve interest

Details	Reserve Interest		Specific Provisions		General Provisions	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Opening Balance						
Provided during the year						
Written back / released during the year						
Written off during the year						
Closing Balance						

- Figures indicated should tally with the Notes on Account

V. Schedule on adequacy of provisions as at 31-Dec-.....

SI No	Details	Amount
1	Gross Loans & Advances	
2	Of which,	
	a. Standard	
3	b. Special Mention	
4	c. Sub-standard	
5	d. Doubtful	
6	e. Loss	
7	Personal Loans – Standard	
8	Personal Loans – Special Mention	
9	Specific Provisions required as per Attachment II	
10	Specific Provisions held as at 31-Dec- ...	
11	*General Provision required on Personal Loans @ 2% {(7+8)*.02}	
12	*General Provision required on Other Loans @ 1% {(2+3-7-8)*.01}	
13	General Provisions held as at 31-Dec- ...	
14	Total Provisions required (9+11+12)	
15	Total Provisions held (10+13)	
16	Provision shortfall, if any (if 14 > 15, 14-15)	

* In terms of BM 977, banks have been given time upto 31-Dec-2006 to meet the general provision requirements. Atleast 1/3rd of the General Provisions is required to be made in the year 2004 and 2/3rd of the General Provisions in the year 2005. From the year 2006 onwards, entire General Provision requirements are to be met by banks.

VI. Schedule on restructured / rescheduled Loans

SI No.	Name of the Borrower	Month of Restructuring / Rescheduling	Classification at the time of Restructuring / Rescheduling	Classification of the Examiner	Balance outstanding as at 31 st Dec-.....	Classification as at 31- Dec.....
A. Accounts criticized by the Examiner						
B. Accounts not criticized by the Examiner and with an outstanding balance of RO.100,000 & above						

	Summary of Restructured / Rescheduled Accounts	No. of accounts	Balance outstanding as 31-Dec.....
	Standard Loan Accounts restructured / rescheduled		
	Special Mention Loan Accounts – restructured / rescheduled		
	Sub-standard Loan Accounts - restructured / rescheduled		
	Doubtful Loan Accounts - restructured / rescheduled		
	Loss Loan Accounts - restructured / rescheduled		
	Total Restructured / Rescheduled Accounts		

- Total Restructured / Rescheduled Amount should tally with the figures reported under Quarterly Monitoring Report.

CBO Circular BM

Minimum Disclosure Requirements in Year-end Financial Statements

Format of Balance Sheet for the year ended 31st December

RO. 000's

Assets	Note	Current Year	Previous Year
Cash			
Balances with Central Bank of Oman			
Capital Deposit with CBO			
Government & other Securities held for dealing purposes			
Treasury Bills & other Bills eligible for rediscount	1		
Balances due from H.O. Branches, Principal Shareholders & Affiliates abroad	2		
Net inter-branch transactions (domestic)			
Due from banks:			
(i) Placements			
a. Local			
b. Overseas	8		
(ii) Loans & Advances	10		
Other Money Market Placements			
Investment Securities	3		
Loans, Advances & Overdrafts (Net of loan loss provisions & reserve interest)	4		
Tangible Fixed Assets			
Other Assets	5		
a)			
b)			
c)			
d)			
Total Assets			
Customers' Liabilities under:			
i) Letters of Credit			
ii) Guarantees			
iii) Indemnities, bonds, etc			
iv) Others			
Total of Contra Items			
Assets pledged as security	11		

Minimum Disclosure Requirements in Year-end Financial StatementsFormat of Balance Sheet for the year ended 31st December

RO. 000's

Shareholder's Equity & Liabilities	Note	Current Year	Previous Year
<u>Shareholder's Equity</u>			
Share Capital* / Assigned Capital #			
Legal Reserves * / Deposit with CBO #			
General Reserves			
Revaluation Surplus			
Retained Earnings			
(A) Total Shareholder's Equity	13		
<u>Liabilities</u>			
Current, Savings & Deposits Accounts	9		
Certificate of Deposits			
(i) Maturing within one year			
(ii) Others			
Other Money Market Deposits			
Due to H.O., Branches & Affiliates abroad	2		
Net inter-branch transactions (domestic)			
Due to banks:			
(i) Placements			
a. Local			
b. Overseas			
(ii) Borrowings:	8		
a. From CBO			
b. Others			
(B) Total Liabilities			
(C) Shareholder's Equity and Liabilities (A + B)			
Liabilities under:			
i) Letters of Credit	6		
ii) Guarantees			
iii) Indemnities, bonds, etc			
iv) Others			
Total of Contra Items			
Commitments to lend and unused credit lines			
Aggregate of the net Foreign Currency Exposures			
Aggregate amount of secured liabilities	11		

* Applicable to Local Banks

Applicable to Foreign Banks

Minimum Disclosure Requirements in Year-end Financial Statements

Format of Profit and Loss Account for the year ended 31st December

RO. 000's

Details	Note	Current Year	Previous Year
Gross Interest Income			
Interest Expense			
Net Interest Income			
Interest Reserved			
Other Operating Income:			
1. Dividend Income			
2. Net Fee & Commission Income			
a) Fee and Commission Income			
Less: b) Fee and Commission Expense			
3. Net Foreign Exchange Income			
a) Income			
Less: b) Expense			
4. Net Income from dealing in Securities			
a) Income			
Less: b) Expense			
5. Net Income from Investment Securities			
a) Income			
Less: b) Expense			
Gross Income			
General Administrative Expenses	12		
Depreciation			
Total Operating Costs			
Net Operating Profit (Profit on ordinary activities before provisions)			
Income from Subsidiaries	7		
a)			
b)			
Income from Associate Companies			
a)			
b)			
Income from Other Licensed Activities			
a) Investment Activities			
b)			
Bad Debts written off			
General Provisions			
Specific Provision for loan losses			
Provision for diminution in value of investments			
Provision for crystallized un-booked risks & commitments			
Profit for the year after loan loss provisions			

Authorised Signatory (Bank)

Name & Signature (Auditing Firm)

Minimum Disclosure Requirements in Year-end Financial Statements

Statement of Retained Profits for the year ended 31st December

RO. 000's

Details	Note	Current Year	Previous Year
Profit for the year before taxation			
Taxation			
Profit for the year after taxation			
Retained Earnings brought forward from previous year			
Profits available for appropriation			
Proposed Appropriations:			
Legal Reserves			
General Reserves			
Directors Remuneration			
Cash Dividend *			
Stock Dividend *			
Remittance to Head Office [#]			
Other Allocations			
a)			
b)			
c)			
Un-appropriated Profits carried forward			

* Applicable only for Local Banks

Applicable only for Foreign Banks

Minimum Disclosure Requirements in Year-end Financial Statements

Assets and Liabilities of Bank
As of 31st December,

RO. 000's

Assets	Current year	Previous year	Liabilities	Current year	Previous year
1. Cash			1. Deposits (incl. Govt.)		
2. Balances with CBO			a) Demand		
3. Capital Deposit with CBO			b) Savings		
4. Government & other Securities			c) Time		
5. Treasury Bills & Other Bills			2. Certificate of Deposits		
6. Due from H.O., branches, principal shareholders & affiliates abroad			3. Due to H.O., branches, principal shareholders & affiliates abroad		
7. Due from banks:			4. Due to Banks:		
i) Placements			i) Placements		
ii) Loans & Advances			ii) Borrowings		
8. Other Money Market Placements			5. Other Money Market Deposits		
9. Investments			6. Borrowings from CBO		
10. Loans and advances (net of provisions for loan losses & reserve interest)			7. Capital* / Assigned Capital #		
11. Tangible Fixed Assets			8. Reserves		
12. Losses carried forward			9. Retained Earnings		
13. Other Assets			10. Other Liabilities		
Total Assets			Total Liabilities		

* Applicable for Local Banks

Applicable for Foreign Banks

Authorised Signatory
Bank

Auditing Firm
Name & Signature

Notes on Minimum Disclosure Requirements

1. Eligible bills are those bills, which are acceptable to the Central Bank of Oman for re-discount with reference to their un-expired usance. The break-up of the same is given below:

RO.000's

SI No.	Details	Amount
1	90 days & below	
2	91 days to 120 days	
3	Others	
4	Total	

Refer Form No.1 & 5

2. Placement of bank funds abroad with H.O./ Principal Shareholders / Own Branches and / or Affiliates

A. For Local Banks

RO.000's

SI No.	Details	Amount	% to Networth
1	Principal Shareholders & their own branches / offices abroad (aggregate)		
2	At each affiliates of Principal Shareholders abroad i) ii) iii)		
3	Branches of local banks abroad (aggregate)		
4	Total		

B. Foreign Banks

RO.000's

SI No.	Details	Amount	% to Networth
1	Head Office and Own Branches abroad		
2	At each Head Office affiliate abroad i) ii) iii)		
3	Total		

Refer Form No. 1 & 5

3. Investment Securities

Type of Investments	Cost	Market Value	RO.000s
			Carrying Value
Quoted			
(i)			
(ii)			
...			
Unquoted			
(i)			
(ii)			
...			
Total			

Refer Form No.1

4.a. Reconciliation of changes in the provisions for loan losses and reserve interest as per the format below:

Details	RO.000s					
	Reserve Interest		Specific Provisions		General Provision	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Opening Balance						
Provided / Added during the year						
Written back during the year						
Written-off during the year						
Closing Balance						

Only the cumulative amount of general provisions, specific loan loss provisions and reserve interest are to be disclosed in a note on the summarized Balance Sheet required to be published in the newspaper.

Refer Form No.5

4.b. Lending to single obligor and senior members

SI No	Details	Single Obligors*		Senior Members*	
		No. of clients	Amount	No. of clients	Amount
1	On-balance sheet exposure				
2	Off-balance sheet exposure				

*(all Single Obligors or Senior Members and their related parties who have availed credit facilities exceeding 10% of the bank's network, without considering any collaterals / guarantees etc.)

5. Any single item under 'Other Assets' representing 20% or more of the total Other Assets to be disclosed. Items in the nature of deferred charges, irrespective of the amount thereof should be disclosed separately.

6. Contingent items:

SI No	Details	Amount RO 000's
1	Contingents and commitments which have crystallized after the balance sheet date: i) ... ii) ... iii) ...	
2	Claims against the bank not acknowledged as debt	
3	Net Foreign Currency Exposure	

Refer Form No. 2

7. Banks are required to disclose under this item, separately, income earned from each of the subsidiaries and associated companies as defined by Circular BM 407 or as would be extant, while finalizing the financial statements. Additionally, under the Banking Law 2000 as required by the Banking Regulations framed thereunder banks are required to obtain separate licence for undertaking certain activities (e.g. investment banking etc.). Income from each of the licensed activity listed under BM/REG/32/12/88 (e.g. Investment Banking, etc is required to be disclosed under this item

Refer Form No.3

8. Placements with / from any other banks and financial institutions individually and / or constituting a single group comprising holding company, subsidiaries, affiliates including branches representing 20% or more of the total placements or network of the reporting banks whichever is lower has to be disclosed separately. The name and other particulars of the group are not required to be

given in the Financial Statements which are for publication in newspaper or otherwise. However, these details have to be disclosed to the Central Bank for its confidential use. The disclosure in the financial statements meant for publication could be like this ‘... ...% (percent) of total placements / the reporting bank’s networth is with / from number of entities (all the related entities to be considered as one entity).

Refer Form No. 1 & 2

9. The particulars of deposits are required to be furnished in the following format (Form No. 2) :

Deposits	From					
	Government		Banks		Others	
	This year	Last year	This year	Last year	This year	Last year
Demand						
Savings						
Time						
Total						

Refer Form No. 2

10. A specific disclosure is required to be made separately showing the aggregate amount included in the balance sheet for loans and advances on which interest is not being accrued and the basis used to determine the carrying amount of such loans and advances.

Refer Form No. 1

11. A specific disclosure is required to be made showing separately the aggregate amount of secured liabilities and the nature and carrying amount of the assets pledged as security.

Refer Form No. 1 & 2

12. Any single item constituting more than 10% of the total of “General Administrative Expenses” should be disclosed separately.

Refer Form No. 3

13. A specific disclosure is required to be made of the capital structure and its adequacy based on the system of computation formulated by the Basle Committee

Refer Form No. 2