

National Bank of Oman SAOG

INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2019 (UNAUDITED)



PO Box 751 PC 112 Ruwi Sultanate of Oman.

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CHAIRPERSON'S REPORT Q1 2019

Dear Shareholders,

On behalf of the Board of Directors of National Bank of Oman SAOG, I am pleased to announce the results for the three months ended on the 31st of March 2019.

Operating Performance

The ongoing volatility in oil prices continues to have an impact on the operating environment. While oil prices have improved by ~ 33 per cent from low levels in December 2018, analysts are predicting oil prices to average around USD 62 per barrel for 2019. This volatility has had an impact on banking sector and issues continue to remain – i.e. tightening liquidity and higher funding costs, lack of quality loan growth and pressure on asset quality. Given this backdrop, the net profit for the first three months of 2019 stood at OMR 12.5 million, compared with OMR 12.6 million for the same period last year, showing a marginal reduction - primarily due higher funding costs.

In the recent years the Bank has limited its exposure to high risk sectors, particularly real estate and has looked to achieve offsetting income growth through fee income diversification and growth in all its businesses. As commented before, the bank grew its loan portfolio in a very selective manner in the later part of 2018 and has also re-priced its existing assets to reflect the rising funding costs. Although asset yields have improved, the rising cost of funds has had a negative impact on the Bank's net interest income. NII for Q1 2019 decreased by 5.6 per cent over corresponding period last year, although there has been an improvement compared to the last quarter of 2018. The bank has done well in the first quarter in mitigating the shortfall in NII revenues through offsetting growth in non-funded income growth. Non-interest income grew by an impressive 20 per cent as compared to last year through several fee income streams across our various business lines. This performance has given us confidence to pursue our strategy of diversifying our revenue streams, both in Retail and Wholesale businesses without unduly committing our capital base and exposure to sensitive sectors. As a result of the above, total operating income increased by 0.7 per cent compared to the same period the previous year.

Total expenses for Q1 2019 was OMR 15.6 million as compared to OMR 15.2 million for the corresponding period last year. The Bank had to take some one-off costs in this quarter resulting in costs being higher compared to last year. The Bank had taken several measures in 2018 and earlier to control costs. The Bank will continue to manage BAU costs judiciously while finding room for Investments in Digitization and Transformation initiatives.



Impairments on loans and advances for the first three months of the year were OMR 2.0 million showing a reduction of 8.2 per cent over the corresponding period last year – primarily due to higher recoveries. The bank continues to remain vigilant in its underwriting standards.

The bank's coverage ratio as of March 2019 is 100.6 per cent, which is considered adequate. Gross Non-performing loans (NPLs) at the end of the first quarter of 2019 were at 4.9 per cent, similar to December 2018.

Net loans and advances as at Q1 2019 is at 2.8 billion while Deposits grew by 3.2 per cent from OMR 2.4 billion to OMR 2.5 billion. In addition, the deposit mix (low cost versus high cost) continues to remain favourable. The bank will continue to diversify its deposit base to partially negate the rising cost of funds, as well as reduce concentration. As mentioned earlier, the bank will look to grow its loan book in selective sectors with a clear focus on good quality credits, albeit at lower yields.

The bank's Capital Adequacy Ratio stood at 16.2 per cent, well above the regulatory requirement of 13.50 per cent, and well-positioned to meet the future growth aspirations of the bank. The core equity ratio remains at 11.6 per cent and given that the interim profits of OMR 12.5 million is not factored in, we consider this ratio to be healthy.

Q1 2019 at a Glance

During the first quarter the team at NBO successfully maintained a pioneering approach to the banking sector in the Sultanate. By constantly striving to develop innovative solutions for our growing number of customers, we ensured to sustain our position as the 'Bank of Choice' and our progress continued at a rapid pace.

In a challenging period, due to the global uncertainty in the banking sector, our core business remained strong and we further diversified revenue streams and maintained a strong balance sheet.

Delivering Constant Innovation

The first quarter saw NBO taking a revolutionary step to help transform Oman's public transportation payment infrastructure after signing an agreement with Mwasalat to allow passengers taking Mwasalat taxis to pay securely and seamlessly with credit or debit cards using NBO point of sale (POS) terminals.



Additionally, by expanding the popular Al Kanz Savings Account scheme and offering 1,273 customers, the opportunity to win more than OMR 3.250 Million during 2019, we are delivering larger winnings opportunities for our customers. A popular scheme amongst the bank's full suite of innovative products and services, Al Kanz continues to successfully instill a savings culture and motivate customers with cash prizes. In the first quarter of 2019, more than OMR 475,000 cash prizes were won by our customers.

In partnership with leading insurance company Takaful Oman, we are now offering market-leading Shari'a - compliant motor insurance; 'Takaful Motor Plan'. The policy is specifically tailored to meet the customers evolving needs and requirements.

Fittingly, as the first bank to launch a dedicated SME department, Tijarati, to address the specific banking and finance needs of entrepreneurs, NBO granted a total of OMR 17,500 to three rising SMEs during the fifth edition of the 'Innovation in SME' Awards. A total of 125 submissions were received, making it the most competitive year experienced to date.

Supporting the Nation

We also continued our annual support of the Sultanate's biggest tourism and cultural event as Gold sponsor of Muscat Festival, where NBO was part of the mega-event which showcased the best of Oman's culture and heritage.

In sports, we continued backing up NBO's Brand Ambassador; Ahmad Al Harthy, and have renewed his sponsorship agreement wherein he will represent Oman throughout the 2019 season and NBO is proud to be part of his journey.

Appreciation

On behalf of the members of the Board of Directors, I would like to acknowledge and thank our valued customers and shareholders for their unwavering support. We would also like to express our appreciation to our regulators, the Central Bank of Oman, the Central Bank of the UAE and the Capital Market Authority for their continued guidance and support. The Bank's management team and staff continue to be instrumental to the success of NBO and we would like to thank them all for their continued dedication and commitment. Above all, we pay tribute to His Majesty, Sultan Qaboos bin Said, for his visionary leadership and under whose wise guidance Oman steadfastly continues on towards sustainable economic and social development.

A handwritten signature in blue ink, appearing to read "Rawan bint Ahmed Al Said", is positioned to the left of the printed name.

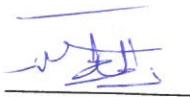
Rawan bint Ahmed Al Said
Chairperson



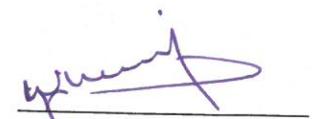
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019 (unaudited)

		31/03/2019	31/03/2018	Audited 31/12/2018
	Notes	RO'000	RO'000	RO'000
Assets				
Cash and balances with Central Banks	3	321,834	419,253	315,055
Due from banks and other money market placements (net)	4	99,165	191,182	98,064
Loans, advances and financing activities for customers (net)	5	2,778,598	2,684,612	2,809,707
Financial investments	6	242,764	190,166	231,149
Premises and equipment	7	63,913	65,245	64,360
Other assets	8	60,552	56,948	54,587
Total assets		3,566,826	3,607,406	3,572,922
Liabilities				
Due to banks and other money market deposits		106,943	90,676	155,949
Customers' deposits and unrestricted investment accounts	9	2,531,926	2,633,722	2,452,382
Euro medium term notes	10	307,920	230,420	307,148
Other liabilities	11	88,441	112,567	93,534
Taxation	12	10,312	4,294	10,419
Subordinated debt	13	-	25,000	17,000
Total liabilities		3,045,542	3,096,679	3,036,432
Equity				
Share capital		162,595	162,595	162,595
Share premium		34,465	34,465	34,465
Legal reserve		54,198	51,617	54,198
Other non-distributable reserves	14	(2,107)	22,274	16,541
Proposed cash dividend		-	-	26,015
Retained earnings		156,633	124,276	127,176
Total shareholders' equity attributable to the equity holders of the bank		405,784	395,227	420,990
Tier 1 perpetual bond	15	115,500	115,500	115,500
Total equity		521,284	510,727	536,490
Total liabilities and equity		3,566,826	3,607,406	3,572,922
Contingent liabilities and commitments	16	681,631	593,418	589,320

The interim condensed financial statements were authorised for issue on 29th April 2019 in accordance with a resolution of the Board of Directors.


Chairperson




Acting Chief Executive Officer

The attached notes 1 to 28 form part of the interim condensed financial statements.

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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 March 2019 (unaudited)

	Notes	Three months ended 31	
		March	
		2019	2018
		RO'000	RO'000
Interest income	17	40,188	37,396
Interest expense	18	(17,991)	(13,587)
NET INTEREST INCOME		22,197	23,809
Income from Islamic financing and Investment activities		1,691	1,394
Unrestricted investment account holders' share of profit		(907)	(853)
NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES		784	541
NET INTEREST INCOME AND NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES		22,981	24,350
Other operating income	19	9,356	7,772
OPERATING INCOME		32,337	32,122
Staff costs		(9,707)	(9,022)
Other operating expenses	20	(4,819)	(4,926)
Depreciation	7	(1,110)	(1,208)
OPERATING EXPENSES		(15,636)	(15,156)
PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX		16,701	16,966
Credit loss expense – customer loans	5	(4,757)	(4,177)
Recoveries and releases from provision for credit losses		1,483	459
Recoveries and releases from loans and advances written off		1,269	1,542
Others		7	-
TOTAL IMPAIRMENT LOSSES (NET)		(1,998)	(2,176)
PROFIT BEFORE TAX		14,703	14,790
Taxation	12	(2,246)	(2,195)
PROFIT FOR THE PERIOD		12,457	12,595
OTHER COMPREHENSIVE EXPENSES			
Items that will not be reclassified subsequently to profit or loss			
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income		(1,711)	-
Items that will be reclassified subsequently to profit or loss			
Debt instruments at fair value through other comprehensive income		63	-
Net unrealised losses on available for sale investments		-	(1,081)
Tax effect of net losses on available for sale financial investments		-	(64)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(1,648)	(1,145)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		10,809	11,450
Earnings per share annualised:			
Basic and diluted, profit for the period attributable to equity holders		0.031	0.031

The attached notes 1 to 28 form part of the interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the period ended 31 March 2019 (unaudited)

	Notes	Three months ended	
		31 March 2019 RO'000	2018 RO'000
Profit before taxation		14,653	14,790
Adjustments for:			
Depreciation	7	1,110	1,208
Provision for credit losses (net)		4,757	4,177
Provision for credit loss Bank loans/Investments (Net)		(7)	-
(Profit) on sale of investments		88	-
Investment income		(1,100)	(681)
Operating profit before changes in operating assets and liabilities		19,501	19,494
Increase in due from and other money market deposits		7,666	5,737
(Decrease) in due to and other money market placements		(3,824)	(42,378)
Increase/(decrease) in loans and advances to customers		26,352	(49,276)
Decrease in other assets		(5,965)	(11,227)
Increase in customer deposits		79,544	172,455
(Decrease) /Increase in other liabilities		(4,634)	30,206
Cash (used in)/ from operations		118,640	125,011
Tax paid		(1,898)	(5,717)
Net cash (used in)/ from operating activities		116,742	119,294
Investing activities			
Purchase of investments		(13,362)	(8,629)
Proceeds from sale of investments		(88)	-
Purchase of premises and equipment	7	(675)	(668)
Disposal of premises and equipment		16	9
Translation difference in premises & equipment & Tax		(4)	2
Dividend income	19	1,100	681
Net cash used in investing activities		(13,013)	(8,605)
Financing activities			
Payment of dividend		(26,015)	(23,228)
Proceeds from Subordinated debt		(17,000)	-
Net cash used in financing activities		(43,015)	(23,228)
Increase in cash and cash equivalents		60,714	87,461
Cash and cash equivalents at the beginning of the period		255,486	406,563
Cash and cash equivalents at the end of the period		316,200	494,024
Representing:			
Cash and balances with Central Bank	3	321,334	418,753
Due from Bank (maturing within 3 months)		82,558	165,947
Due to Bank (maturing within 3 months)		(87,692)	(90,676)
		316,200	494,024

* Minimum cash reserve to be maintained with Central Bank of Oman as of 31 March 2019 amounted to RO 76 million (31 March 2018: RO 74 million).

The attached notes 1 to 28 form part of the interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
As at 31 March 2019 (unaudited)

(RO'000)	Share capital	Share premium	Legal reserve *	Other non-distributable reserves*	Proposed cash dividend	Proposed stock dividend	Retained earnings	Total	Tier 1 perpetual bond	Total
Balance at 1 January 2019	162,595	34,465	54,198	16,541	26,015	-	127,176	420,990	115,500	536,490
Total comprehensive income for the period	-	-	-	(1,648)	-	-	12,457	10,809	-	10,809
Dividend paid during the period	-	-	-	-	(26,015)	-	-	(26,015)	-	(26,015)
Transfer to retained earnings	-	-	-	(17,000)	-	-	17,000	-	-	-
Balance at 31 March 2019	162,595	34,465	54,198	(2,107)	-	-	156,633	405,784	115,500	521,284
Balance at 1 January 2018	154,852	34,465	51,617	23,489	23,228	7,743	135,365	430,759	115,500	546,259
Impact of adopting IFRS 9	-	-	-	(70)	-	-	(23,684)	(23,754)	-	(23,754)
Restated opening balance under IFRS 9	154,852	34,465	51,617	23,419	23,228	7,743	111,681	407,005	115,500	522,505
Total comprehensive income for the period	-	-	-	(1,145)	-	-	12,595	11,450	-	11,450
Issue of Shares	7,743	-	-	-	-	(7,743)	-	-	-	-
Dividend paid during the period	-	-	-	-	(23,228)	-	-	(23,228)	-	(23,228)
Balance at 31 March 2018	162,595	34,465	51,617	22,274	-	-	124,276	395,227	115,500	510,727
Balance at 1 April 2018	162,595	34,465	51,617	22,274	-	-	124,276	395,227	115,500	510,727
Total comprehensive income for the period	-	-	-	(1,133)	-	-	38,013	36,880	-	36,880
Payment of tier 1 perpetual bond	-	-	-	-	-	-	(9,096)	(9,096)	-	(9,096)
Accrual of wht on tier 1 perpetual bond	-	-	-	-	-	-	(2,021)	(2,021)	-	(2,021)
Transfer to retained earnings	-	-	-	(8,000)	-	-	8,000	-	-	-
Transfer to subordinated funds reserve	-	-	-	3,400	-	-	(3,400)	-	-	-
Transfer to legal reserve	-	-	2,581	-	-	-	(2,581)	-	-	-
Proposed dividend	-	-	-	-	26,015	-	(26,015)	-	-	-
Balance at 31 December 2018	162,595	34,465	54,198	16,541	26,015	-	127,176	420,990	115,500	536,490

*Transfers to legal reserve and subordinated debt reserve are made on an annual basis.

The attached notes 1 to 28 form part of the interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2019 (unaudited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

National Bank of Oman SAOG ("NBO", "the bank") was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail, wholesale, investment and Islamic banking services within the Sultanate of Oman and overseas branches in the United Arab Emirates and Egypt. In Oman the bank operates under banking license issued by the Central Bank of Oman and is covered by its deposit insurance scheme, whereas in the United Arab Emirates and in Egypt the branches operate under a commercial bank licences given by the respective Central Banks. The bank is head quartered in Azaibah, and it is registered address of the bank is PO Box 751, Ruwi, Postal Code 112, Muscat, Sultanate of Oman. The bank has a primary listing on the Muscat Stock Exchange. Its bonds and AT1 capital instruments are listed in the Irish Stock exchange.

The bank employed 1,549 employees as of 31 March 2019 (31 March 2018 – 1,491 employees / 31 December 2018 - 1,563).

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements of the bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018. In addition, results of the three month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of banks annual financial statements for the year ended 31 December 2018. The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

The condensed interim financial statements are prepared in Rial Omani, rounded to the nearest thousands, except as indicated. The functional currency of the bank is Rial Omani.

The interim condensed financial statements are prepared under the historical cost convention, modified to include revaluation of freehold land and buildings, measurement of derivative financial instruments, equities and puttable investments, either through profit and loss account or through other comprehensive Income, at fair value.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

3 CASH AND BALANCES WITH CENTRAL BANKS

	<i>31/03/2019</i>	<i>31/03/2018</i>	<i>31/12/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Cash	48,209	45,069	57,039
Treasury bills	156	196	2,193
Certificate of Deposit with Central Banks	7,861	-	-
Other balances with Central Banks	265,108	373,488	255,323
Cash and cash equivalents	321,334	418,753	314,555
Capital deposit with Central Bank of Oman	500	500	500
Cash and balances with Central Banks	321,834	419,253	315,055

- (i) At 31 March 2019, cash and balances with Central Bank of Oman included balances amounting to RO 500,000 (31 March 2018: RO 500,000) as capital deposit. This deposit cannot be withdrawn without the Central Bank of Oman approval.
- (ii) Minimum cash reserve to be maintained with Central Bank of Oman as of 31 March 2019 amounted to RO 76 million (31 March 2018: RO 74 million).
- (iii) ECL on the cash and balances with Central Banks is not material and accordingly no adjustment has been accounted by the Bank.

4 DUE FROM BANKS AND OTHER MONEY MARKET PLACEMENTS (NET)

	<i>31/03/2019</i>	<i>31/03/2018</i>	<i>31/12/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Loans and advances to banks	12,897	24,640	13,090
Placements with banks	59,829	140,288	51,534
Demand balances	26,804	26,715	33,819
Due from banks and other money market placements	99,530	191,643	98,443
Less: allowance for the credit losses	(365)	(461)	(379)
Net due from banks and other money market placements	99,165	191,182	98,064

Movement in allowances for the credit losses is set out below:

	<i>3 months ended</i>	<i>3 months ended</i>	<i>12 months ended</i>
	<i>31/03/2019</i>	<i>31/03/2018</i>	<i>31/12/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Balance at beginning of period / year	379	94	94
Impact of adopting IFRS 9	NA	367	367
Restated opening balance under IFRS 9	379	461	461
Released/provided during the period / year	(14)	-	(82)
Balance at end of period / year	365	461	379

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

5 LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS (NET)

	31/03/2019	31/03/2018	31/12/2018
	RO'000	RO'000	RO'000
Overdrafts	90,816	101,230	99,724
Personal loans	1,398,489	1,360,000	1,401,890
Other loans	1,421,323	1,357,332	1,438,471
Gross loans, advances and financing activities for customers	2,910,628	2,818,562	2,940,085
Less: allowance for credit losses	(132,030)	(133,950)	(130,378)
Net loans and advances	2,778,598	2,684,612	2,809,707

Gross loans, advances and financing activities for customers include RO 127 million due from related parties at 31 March 2019 (31 March 2018 – RO 137 million, 31 December 2018 – RO 115 million).

The movement in the provision for impairment of loans, advances and financing activities for customers is set out below:

Movement in the provision for impairment of funded loans and advances

	3 months ended	3 months ended	12 months ended
	31/03/2019	31/03/2018	31/12/2018
	RO'000	RO'000	RO'000
Balance at beginning of period / year	130,378	116,531	116,531
Impact of adopting IFRS 9	-	13,791	13,791
Restated opening balance under IFRS 9	130,378	130,322	130,322
Provided during the period / year	7,650	6,904	27,701
Recovered/ released during the period / year	(1,483)	(459)	(4,524)
Written off during the period / year	(4,515)	(2,817)	(23,117)
Translation difference	-	-	(4)
Balance at end of period / year	132,030	133,950	130,378

Provided during the period includes contractual interest reserved for RO 2,533 thousands.

Recovered/released during the period includes recovery of reserved interest for RO 468 thousands.

All loans and advances require payment of interest based on agreed tenors, some at fixed rates and others at rates that re-price prior to maturity. Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the interim condensed statement of comprehensive income.

As of 31 March 2019 loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 141 million (31 March 2018 – RO 117 million and 31 December 2018 – RO 141 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

5 LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS (NET) (continued)

5.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 March 2019:

Impairment charge and provision held as of 31 March 2019

Amounts in RO'000

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	3,267	3,267	-
Provisions required as per CBO norms/ held as per IFRS 9	110,770	142,326	31,556
Gross non-performing loan ratio (percentage)	3.39	3.39	-
Net non-performing loan ratio (percentage)	1.44	0.81	(0.63)

Mapping of IFRS 9 and CBO norms

Amounts in RO'000

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Standard	Stage 1	2,292,843	32,440	13,202	19,238	2,279,641	-
	Stage 2	352,433	4,028	10,087	(6,059)	342,346	-
	Stage 3	-	-	-	-	-	-
	Subtotal	2,645,276	36,468	23,289	13,179	2,621,987	-
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	123,872	1,220	13,530	(12,310)	110,342	-
	Stage 3	-	-	-	-	-	-
	Subtotal	123,872	1,220	13,530	(12,310)	110,342	-
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	10,005	2,173	3,869	(1,478)	6,136	218
	Subtotal	10,005	2,173	3,869	(1,478)	6,136	218
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	34,222	12,734	14,963	(890)	19,259	1,339
	Subtotal	34,222	12,734	14,963	(890)	19,259	1,339
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	97,258	58,179	76,398	(2,749)	20,860	15,470
	Subtotal	97,258	58,179	76,398	(2,749)	20,860	15,470
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	630,352	-	2,297	(2,297)	628,055	-
	Stage 2	149,192	-	7,528	(7,528)	141,664	-
	Stage 3	-	-	-	-	-	-
	Subtotal	779,544	-	9,825	(9,825)	769,719	-
Total	Stage 1	2,923,195	32,440	15,499	16,941	2,907,696	-
	Stage 2	625,497	5,248	31,145	(25,897)	594,352	-
	Stage 3	141,485	73,086	95,230	(5,117)	46,255	17,027
	Total	3,690,177	110,774	141,874	(14,073)	3,548,303	17,027

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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5 LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS (NET) (continued)

5.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 March 2019:

Restructured loans

Amounts in RO'000

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Classified as performing	Stage 1	77,559	1,001	580	421	76,979	
	Stage 2	25,022	1,022	6,947	(5,925)	18,075	
	Stage 3				-	-	
Subtotal		102,581	2,023	7,527	(5,504)	95,054	-
Classified as non-performing	Stage 1				-	-	
	Stage 2				-	-	
	Stage 3	29,334	10,568	13,258	455	16,076	3,145
Sub total		29,334	10,568	13,258	455	16,076	3,145
Total	Stage 1	77,559	1,001	580	421	76,979	-
	Stage 2	25,022	1,022	6,947	(5,925)	18,075	-
	Stage 3	29,334	10,568	13,258	455	16,076	3,145
	Total	131,915	12,591	20,785	(5,049)	111,130	3,145

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

5.3 Movement in ECL

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>RO' 000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Exposure subject to ECL				
- Loans and Advances to Customers	2,160,811	476,303	141,484	2,778,598
- Investment Securities (Debt)	243,363		-	243,363
- Loan Commitments and Financial Guarantees	532,440	149,192	-	681,632
- Due from Banks, Central Banks and Other Financial Assets	99,530			99,530
	3,036,144	625,495	141,484	3,803,123
Opening Balance - as at 1 January 2019				
- Loans and Advances to Customers	14,543	25,853	89,982	130,378
- Investment Securities (Debt)	591	-	-	591
- Loan Commitments and Financial Guarantees	1,432	7,791	-	9,223
- Due from Banks, Central Banks and Other Financial Assets	379	-	-	379
	16,945	33,644	89,982	140,571
Net transfer between stages				
- Loans and Advances to Customers	13	(181)	168	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	126	(126)	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	139	(307)	168	-
Charge for the Period (net)				
- Loans and Advances to Customers	(1,354)	(2,056)	10,050	6,640
- Investment Securities (Debt)	8	-	-	8
- Loan Commitments and Financial Guarantees	(225)	(137)	-	(362)
- Due from Banks, Central Banks and Other Financial Assets	(14)	-	-	(14)
	(1,585)	(2,193)	10,050	6,272
Write off for the period				
- Loans and Advances to Customers	-	-	(4,516)	(4,516)
	-	-	(4,516)	(4,516)
Closing Balance - as at 31 March 2019				
- Loans and Advances to Customers	13,202	23,616	95,684	132,502
- Investment Securities (Debt)	599	-	-	599
- Loan Commitments and Financial Guarantees	1,333	7,528	-	8,861
- Due from Banks, Central Banks and Other Financial Assets	365	-	-	365
	15,499	31,144	95,684	142,327

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

6 FINANCIAL INVESTMENTS

	Carrying value 31/03/2019 RO'000	Carrying value 31/03/2018 RO'000	Carrying value 31/12/2018 RO'000
Investment measured at FVPL			
Quoted investments- Oman			
Banking and investment sector	4,774	5,146	4,874
	4,774	5,146	4,874
Quoted investments- Foreign			
Banking and investment sector	414	339	402
	414	339	402
Unquoted investments			
Banking and investment sector	2,148	2,065	2,166
Service sector	266	251	249
	2,414	2,316	2,415
Total FVPL	7,602	7,801	7,691
Investment measured at FVOCI			
Quoted investments- Oman			
Manufacturing sector	1,893	2,470	2,033
Service sector	18,053	20,644	19,862
	19,946	23,114	21,895
Quoted investments- Foreign			
Banking and investment sector	7,131	2,538	3,059
	7,131	2,538	3,059
Unquoted investments			
Banking and investment sector	295	295	295
Service sector	36	36	36
	331	331	331
Total FVOCI – Equity instruments	27,408	25,983	25,285
Debt instruments measured at FVOCI			
Quoted investments- Oman			
Government Development Bonds	3,609	3,771	3,391
Total FVOCI – Debt instruments	3,609	3,771	3,391
Total FVOCI	31,017	29,754	28,676

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

6 FINANCIAL INVESTMENTS (continued)

Investment measured at amortised cost

Quoted investments- Oman

Government Development Bonds	177,355	133,005	167,964
Government Sukuk	3,000	3,000	3,000
Banking and investment sector	4,343	4,332	4,340
Manufacturing sector	5,775	5,775	5,775
Service sector	9,344	-	9,340
	199,817	146,112	190,419

Quoted investments- Foreign

Government Development Bonds	4,927	5,034	4,954
Banking and investment sector	-	1,967	-
	4,927	7,001	4,954

Total amortised cost

204,744 153,113 195,373

Less: impairment

(599) (502) (591)

TOTAL FINANCIAL INVESTMENTS

242,764 190,166 231,149

Movement in allowances for the credit losses for debt securities at fair value through other comprehensive income and amortised cost:

	3 months ended 31/03/2019 RO'000	3 months ended 31/03/2018 RO'000	12 months ended 31/12/2018 RO'000
Balance at the beginning of the period/year	591	NA	NA
Impact of adopting IFRS 9	NA	502	502
Restated opening balance under IFRS 9	591	502	502
Provided during the period/year	8	-	89
Balance at the end of the period/year	599	502	591

Details of significant investments

Details of investments exceeding 10% of the carrying value of the bank's investment are as follows:

	Bank's portfolio %	Carrying value RO'000
<u>31 March 2019</u>		
Government Development Bonds and sukus	77.8	188,891
<u>31 March 2018</u>		
Government Development Bonds and sukus	76.1	144,810
<u>31 December 2018</u>		
Government Development Bonds and sukus	79.2	183,100

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

7 PREMISES AND EQUIPMENT

	<i>Freehold land, buildings and leasehold improvements RO'000</i>	<i>Motor vehicles, furniture and equipment RO'000</i>	<i>Capital work in progress RO'000</i>	<i>Total RO'000</i>
Reconciliation of carrying amount:				
Balance at 1 January 2018, net of accumulated depreciation	50,054	12,040	2,266	64,360
Additions	9	142	524	675
Disposals	-	(16)	-	(16)
Transfers	-	796	(796)	-
Translation difference	4	-	-	4
Depreciation	(454)	(656)	-	(1,110)
Balance at 31 March 2019, net of accumulated depreciation	49,613	12,306	1,994	63,913
At cost / valuation	65,846	41,803	1,994	109,643
Accumulated depreciation	(16,233)	(29,497)	-	(45,730)
Net carrying value at 31 March 2019	49,613	12,306	1,994	63,913
Net carrying value at 31 March 2018	50,808	12,143	2,294	65,245
Net carrying value at 31 December 2018	50,054	12,040	2,266	64,360

8 OTHER ASSETS

	<i>31/03/2019 RO'000</i>	<i>31/03/2018 RO'000</i>	<i>31/12/2018 RO'000</i>
Interest receivable and others	30,112	23,151	25,464
Positive fair value of derivatives (note 27)	1,117	1,433	450
Customers' indebtedness for acceptances (note 11)	29,036	30,870	27,939
Deferred tax (note 12)	287	1,494	734
	60,552	56,948	54,587

9 CUSTOMERS' DEPOSITS AND UNRESTRICTED INVESTMENT ACCOUNTS

	<i>31/03/2019 RO'000</i>	<i>31/03/2018 RO'000</i>	<i>31/12/2018 RO'000</i>
Current accounts	958,038	1,125,060	870,896
Savings accounts	584,980	574,966	583,489
Term deposits	988,908	933,696	997,997
	2,531,926	2,633,722	2,452,382

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2019 (unaudited)

10 EURO MEDIUM TERM NOTES

The bank issued a 5-year, USD 600 million Regulation S in October 2014. These notes mature in October 2019.

Subsequently during 2018 the bank concluded a further issuance of USD 500 million and simultaneously increased the programme size to USD 1,500 million. The bank also bought back USD 300 million from the issuance made in year 2014.

As a result of the above fresh issuance and buyback the amounts disclosed in the balance sheet comprise the following:

Particular	Amount
Issuance made in year 2014 maturing in 2019	300 million
Issuance made in year 2018 maturing in 2023	500 million
Total	800 million

The bonds are listed on the Irish Stock Exchange and are governed by English law. The carrying amount of EMTN is stated after taking into account the amount of MTM value of the fair value hedge. (Refer note 27).

11 OTHER LIABILITIES

	31/03/2019 RO'000	31/03/2018 RO'000	31/12/2018 RO'000
Interest payable and other accruals	49,918	47,854	55,101
Dividend payable	-	23,228	-
Allowances for credit losses for loan Commitments and Financial Guarantees	8,863	8,528	9,223
Negative fair value of derivatives (note 27)	624	2,087	1,271
Liabilities under acceptances (note 8)	29,036	30,870	27,939
	88,441	112,567	93,534

Movement in the allowance for credit losses - non-funded loans, advances and financing activities for customers:

	3 months Ended 31/03/2019 RO'000	3 months ended 31/03/2018 RO'000	12 months ended 31/12/2018 RO'000
Balance at beginning of period / year	9,223	NA	NA
Impact of adopting IFRS 9	NA	9,094	9,094
Restated opening balance under IFRS 9	9,223	9,094	9,094
Released/provided during the period / year	(360)	(566)	129
Balance at end of period / year	8,863	8,528	9,223

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

12 TAXATION

	<i>31/03/2019</i> <i>RO'000</i>	<i>31/03/2018</i> <i>RO'000</i>	<i>31/12/2018</i> <i>RO'000</i>
Statement of comprehensive income			
Current period/year	1,799	2,195	8,538
Deferred tax adjustment	447	-	730
	2,246	2,195	9,268

The bank is liable to income tax at the following rates:

- Sultanate of Oman: 15% of taxable income
- United Arab Emirates: 20% of taxable income
- Egypt: 20% of taxable income

Set out below is reconciliation between incomes tax calculated on accounting profit with income tax expense for the period:

	<i>31/03/2019</i> <i>RO'000</i>	<i>31/03/2018</i> <i>RO'000</i>	<i>31/12/2018</i> <i>RO'000</i>
Accounting profit	14,703	14,790	59,876
Tax at applicable rate	2,205	2,219	8,981
Non-deductible expenses	183	64	688
Tax exempt revenues	(443)	(899)	(979)
Others	(146)	811	(152)
	1,799	2,195	8,538

The bank's liabilities for taxation in the Sultanate of Oman have been assessed up to the year ended 31 December 2013.

The tax assessments of the Egypt operations in respect of the different taxes applicable are at different stages of completion with the respective tax authorities. The bank's liability in respect of its branches in UAE has been agreed with the tax authorities up to 31 December 2017.

	<i>31/03/2019</i> <i>RO'000</i>	<i>31/03/2018</i> <i>RO'000</i>	<i>31/12/2018</i> <i>RO'000</i>
Tax liability			
Income tax and other taxes – Current period/year	1,799	2,195	8,538
Income tax and other taxes – Prior years	8,513	2,099	1,881
	10,312	4,294	10,419

	<i>31/03/2019</i> <i>RO'000</i>	<i>31/03/2018</i> <i>RO'000</i>	<i>31/12/2018</i> <i>RO'000</i>
Recognised deferred tax assets (note 8)			
Deferred tax assets are attributable to the following:			
Provisions	303	1,480	750
FVOCI	(16)	14	(16)
	287	1,494	734

Deferred tax is calculated at 15% (2017 – 15%).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

12 TAXATION (continued)

Movement of deferred tax asset/ (liability)

	31/03/2019	31/03/2018	31/12/2018
	RO'000	RO'000	RO'000
Balance at the beginning of the year	734	1,558	1,558
Created during the year	(447)	-	(730)
Tax effect of movement in FVOCI investments	-	(64)	(94)
	287	1,494	734

13 SUBORDINATED DEBT

	31/03/2019	31/03/2018	31/12/2018
	RO'000	RO'000	RO'000
At 1 January	17,000	25,000	25,000
Redeemed during the period/year	(17,000)	-	(8,000)
	-	25,000	17,000

14 OTHER NON-DISTRIBUTABLE RESERVES

	<i>Fair value reserve RO '000</i>	<i>Revaluation reserve RO '000</i>	<i>Subordinated debt reserve RO '000</i>	<i>Total RO '000</i>
At 1 January 2019	(4,844)	4,385	17,000	16,541
Net movement on FVOCI investments	(1,648)	-	-	(1,648)
Transfer to retain earnings	-	-	(17,000)	(17,000)
At 31 March 2019	(6,492)	4,385	-	(2,107)
At 31 March 2018	(3,711)	4,385	21,600	22,274
At 31 December 2018	(4,844)	4,385	17,000	16,541

- (i) The revaluation reserve represents the surplus on revaluation of building and is not available for distribution until the related assets have been disposed off or used.

15 TIER 1 PERPETUAL BOND

The bank, in 2015 issued Perpetual Tier 1 Capital Securities (the "Tier 1 Securities"), amounting to R.O 115,500,000. (USD 300,000,000)

The Tier 1 Securities constitute direct, unconditional, subordinated and unsecured obligations of the bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 Securities do not have a fixed or final maturity date. They are redeemable by the bank at its sole discretion on 18 November 2020 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the Central Bank of Oman.

The Tier 1 Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.875% which is the aggregate of margin and 5 year mid-swap rate that was prevailing at the time of issuance. The mid-swap rate will be reset at end of every fifth year. Interest is payable semi-annually in arrears and treated as deduction from equity. Interest is non-cumulative and payable at the bank's discretion.

These securities form part of Tier 1 Capital of the bank and comply with Basel-3 and Central Bank of Oman regulations (BM 1114).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

16 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>31/03/2019</i>	<i>31/03/2018</i>	<i>31/12/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Guarantees	400,488	366,303	368,865
Documentary letters of credit	98,641	94,669	100,836
Undrawn commitment to lend	182,502	132,446	119,619
	681,631	593,418	589,320

(i) The allowances for credit losses for commitments and financial guarantees amounts to RO 8,863 thousands and is included under note 11.

(ii) Contingent liabilities include RO 1.60 million (31 March 2018 – RO 0.11 million and 31 December 2018– RO 1.58 million) relating to non-performing loans.

(iii) Guarantees include an amount of RO 14.3 million towards performance and advance payment guarantees which have been invoked by the beneficiary. The bank, based on an independent legal advice obtained is confident of recovering the amount paid and payable to the beneficiary from its customer and has initiated a legal action against the customer and the guarantor.

17 INTEREST INCOME

Interest bearing assets earned interest at an overall rate of 5.43% for the three months period ended 31 March 2019 (31 March 2018 – 5.25% and 31 December 2018 – 5.29%).

18 INTEREST EXPENSE

For the three months period ended 31 March 2019, the average overall cost of funds was 2.15% (31 March 2018- 2.0% and 31 December 2018 – 2.32%).

19 OTHER OPERATING INCOME

	3 months ended	3 months ended
	31/03/2019	31/03/2018
	RO'000	RO'000
Net gains from foreign exchange dealings	1,662	1,142
Net fees and commissions	5,016	4,344
Loss on trading investments	(88)	-
Dividend income	1,100	681
Service charges	1,350	1,331
Miscellaneous income	316	274
	9,356	7,772

20 OTHER OPERATING EXPENSES

	3 months ended	3 months ended
	31/03/2019	31/03/2018
	RO'000	RO'000
Establishment costs	1,488	1,182
Operating and administration expenses	3,331	3,744
	4,819	4,926

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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21 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	<i>Three months ended 31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>RO'000</i>	<i>RO'000</i>
Profit after tax (RO'000s)	12,457	12,595
Weighted average number of shares outstanding during the year (in '000s)	1,625,950	1,625,950
Earnings per share (RO)	0.031	0.031

No figure for diluted earnings per share has been presented, as the bank has not issued any instruments, which would have an impact on earnings per share when exercised.

22 ASSET LIABILITY MISMATCH

The asset liability mismatch is based on CBO circular BM 955 and given as follows:

31 March 2019

<i>Maturities</i>	<i>Assets</i>	<i>Equity, subordinated</i>	<i>Mismatch</i>
	<i>RO'000</i>	<i>funds and liabilities</i>	<i>RO'000</i>
		<i>RO'000</i>	
0 - 3 month	908,855	849,613	59,242
3 - 12 month	285,537	915,223	(629,686)
1 – 5 years	673,676	784,526	(110,850)
More than 5 years	1,698,758	1,017,464	681,294
Total	3,566,826	3,566,826	-

31 March 2018

<i>Maturities</i>	<i>Assets</i>	<i>Equity, subordinated</i>	<i>Mismatch</i>
	<i>RO'000</i>	<i>funds and liabilities</i>	<i>RO'000</i>
		<i>RO'000</i>	
0 - 3 month	1,149,543	900,530	249,013
3 - 12 month	300,090	920,315	(620,225)
1 – 5 years	653,217	766,327	(113,110)
More than 5 years	1,504,964	1,020,642	484,322
Total	3,607,814	3,607,814	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

22 ASSET LIABILITY MISMATCH (continued)

31 December 2018

<i>Maturities</i>	<i>Assets</i> RO'000	<i>Equity, subordinated funds and liabilities</i> RO'000	<i>Mismatch</i> RO'000
0 - 3 month	928,721	842,618	86,103
3 - 12 month	283,223	974,234	(691,011)
1 – 5 years	691,305	748,870	(57,565)
More than 5 years	1,669,673	1,007,200	662,473
Total	3,572,922	3,572,922	-

23 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

	31/03/2019			31/12/2018		
	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000
Loans and advances	-	127,212	127,212	-	115,139	115,139
Customers' deposits	45,066	35,350	80,416	32,263	52,757	85,020
Due from banks	10,798	9,625	20,423	84	9,625	9,709
Due to banks	185	-	185	109	-	109
Subordinated debt	-	-	-	14,500	-	14,500
Letters of credit, guarantees and acceptances	683	45,878	46,561	523	45,152	45,675
Standby revolving credit facility	77,000	-	77,000	77,000	-	77,000
Investments	2,014	-	2,014	2,031	-	2,031

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

	31/03/2019			31/03/2018		
	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000
Interest income	8	1,637	1,645	3	1,884	1,887
Commission income	1	565	566	73	24	97
Interest expense	613	270	883	355	227	582
Other expenses	-	82	82	-	87	87

Senior management compensation:

	3 months ended 31/03/2019 RO'000	3 months ended 31/03/2018 RO'000
Salaries and other short term benefits	682	776
- Fixed	1,198	1,332
- Discretionary	1,880	2,108

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

24 SHAREHOLDERS

As of 31 March 2019, the shareholders of the bank who own 10% or more of the bank's shares:

	<i>Number of shares '000</i>	<i>% Holding</i>
The Commercial Bank of Qatar	567,453	34.90%
Suhail Bahwan Group (Holdings) LLC	239,734	14.74%
Civil Service Employees Pension Fund	183,918	11.31%

The percentage shareholding is calculated based on the total shares of the bank outstanding at the reporting date.

25 SEGMENT REPORTING

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

- Retail banking offers various products and facilities to individual retail and high net worth customers to meet everyday banking needs. This includes asset products like Personal Loans, Housing Loan, Credit Cards and Term Loans and liability products like Savings account, Current account and Term Deposits.
- Wholesale banking delivers a variety of products and services to corporate customers that include lending, accepting deposits, trade finance, treasury and foreign exchange. It also includes Investment banking which offers investment products such as asset management, corporate advisory and brokerage services to retail customers and institutional clients.
- Commercial banking covers the mid-tier corporate and SME customers offering the entire spectrum of products to suit their business needs. It also includes international operations of UAE, Egypt and Islamic banking which offers products as per Sharia principles.
- Funding center is responsible for balancing and managing the liquidity of funds within the bank. It acts as repository of funds by allocating funds transfer pricing to various business units for performance management purposes. The department also handles the bank's investments in securities, asset/liability management and cash instruments.

Management monitors the operating results of these segments separately for the purpose of making decisions about resource allocation and performance assessment. The costs incurred by the central functions are managed on a group basis and are not allocated to operating segments.

Segment information by business line is as follows:

	<i>Retail banking RO'000</i>	<i>Wholesale banking RO'000</i>	<i>Commercial banking RO'000</i>	<i>Funding center RO'000</i>	<i>Total RO'000</i>
31 March 2019					
Operating income/(loss)	15,602	14,364	3,877	(1,506)	32,337
Net profit/(loss)	6,831	11,685	(2,499)	(3,560)	12,457
Total assets	1,308,681	1,284,975	380,259	592,911	3,566,826

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

25 SEGMENT REPORTING (continued)

	<i>Retail banking RO'000</i>	<i>Wholesale banking RO'000</i>	<i>Commercial banking RO'000</i>	<i>Funding center RO'000</i>	<i>Total RO'000</i>
<i>31 march 2018</i>					
Operating income	13,357	11,721	4,022	3,022	32,122
Net profit/(loss)	3,442	8,657	(3,262)	3,758	12,595
Total assets	1,263,930	1,194,505	422,292	726,679	3,607,406

For management purposes the bank also reports the segment information of its operations by the following geographical locations:

- i) Oman
- ii) United Arab Emirates (UAE)
- iii) Egypt

Transactions between the above segments are conducted at estimated market rates on an arm's length basis. Segment information by geography is as follows:

For the period ended 31 March 2019	<i>Oman RO'000</i>	<i>UAE RO'000</i>	<i>Egypt RO'000</i>	<i>Total RO'000</i>
Net interest income and net income from Islamic financing and investment activities	22,301	544	136	22,981
Other operating income	8,934	419	3	9,356
Operating income	31,235	963	139	32,337
Operating expenses	(14,590)	(945)	(101)	(15,636)
	16,645	18	38	16,701
Impairment losses (net) and taxation	(1,784)	(2,459)	(1)	(4,244)
Segment profit/(loss) for the period	14,861	(2,441)	37	12,457
Other information				
Segment assets	3,452,291	93,178	21,357	3,566,826
Segment capital expenses	625	49	2	675

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25 SEGMENT REPORTING (continued)

For the period ended 31 march 2018	<i>Oman</i> <i>RO'000</i>	<i>UAE</i> <i>RO'000</i>	<i>Egypt</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Net interest income and net income from Islamic financing and Investment activities	23,579	667	104	24,350
Other operating income	7,507	265	-	7,772
Operating income	31,086	932	104	32,122
Operating expenses	(14,146)	(957)	(53)	(15,156)
	16,940	(25)	51	16,966
Impairment losses (net) and taxation	(703)	(3,667)	(1)	(4,371)
Segment profit/(loss) for the period	16,237	(3,692)	50	12,595
 Other information				
Segment assets	3,467,354	120,024	20,028	3,607,406
Segment capital expenses	1,625	76	-	1,701

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26 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices.

Based on the valuation methodology outlined below, the fair values of all financial instruments at 31 March 2019 are considered by the Management not to be materially different to their book values.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of assets and liabilities:

Loans and advances

Fair value is calculated based on discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. For loans that do not have fixed repayment dates or that are subject to prepayment risk, repayments are estimated based on experience in previous periods when interest rates were at levels similar to current levels, adjusted for any differences in interest rate outlook. Expected future cash flows are estimated considering credit risk and any indication of impairment. Expected future cash flows for homogeneous categories of loans are estimated on a portfolio basis and discounted at current rates offered for similar loans to new borrowers with similar credit profiles. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans.

Investments

Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs. If a quoted market price is not available, fair value is estimated based on discounted cash flow and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

Current account balances due to and due from banks

The carrying amount of current account balances due to and from banks was considered to be a reasonable estimate of fair value due to their short term nature.

Bank and customer deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values.

Other financial instruments

No fair value adjustment is made with respect to credit-related off-balance sheet financial instruments, which include commitments to extend credit, standby letters of credit and guarantees, as the related future income streams materially reflect contractual fees and commissions actually charged at the reporting date for agreements of similar credit standing and maturity.

Foreign exchange contracts are valued based on market prices. The market value adjustments in respect of foreign exchange contracts are included in other assets and other liabilities.

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices.

The bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation models

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Valuation models

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table shows an analysis of financial instruments other than derivatives instruments recorded at fair value:

	Level 1 RO'000	Level 2 RO'000	Total RO'000
31 March 2019			
Investment measured at FVTPL			
Quoted equities	5,188	-	5,188
Unquoted equities	-	2,414	2,414
Total	5,188	2,414	7,602
Investment measured at FVOCI			
Quoted equities	30,686	-	30,686
Unquoted equities	-	331	331
Total	30,686	331	31,017
Total financial assets	35,874	2,745	38,619
31 March 2018			
<i>Level 1</i>			
<i>RO'000</i>			
<i>Level 2</i>			
<i>RO'000</i>			
<i>Total</i>			
<i>RO'000</i>			
Investment measured at FVTPL			
Quoted equities	5,485	-	5,485
Unquoted equities	-	2,316	2,316
Total	5,485	2,316	7,801
Investment measured at FVOCI			
Quoted equities	29,423	-	29,423
Unquoted equities	-	331	331
Total	29,423	331	29,754
Total financial assets	34,908	2,647	37,555

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	RO'000	RO'000	RO'000
31 December 2018			
Investment measured at FVTPL			
Quoted equities	5,276	-	5,276
Unquoted equities	-	2,415	2,415
Total	5,276	2,415	7,691
Investment measured at FVOCI			
Quoted equities	28,345	-	28,345
Unquoted equities	-	331	331
Total	28,345	331	28,676
Total financial assets	33,621	2,746	36,367

The bank's primary medium and long-term financial liabilities are the borrowed funds and subordinated liabilities. The fair values of these financial liabilities not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities

Derivative financial instrument at level 2 are valued based on counter party valuation, quoted forward rates and yield curves (see note 27).

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27 DERIVATIVES

	Positive fair value (Note 8) RO'000	Negative fair value (Note 11) RO'000	Notional amount total RO'000	Notional amounts by term to maturity		
				Within 3 months RO'000	3 – 12 months RO'000	Above 1 Year RO'000
<i>31 March 2019</i>						
<i>Derivatives</i>						
Fair value hedge	-	(80)	115,500	-	115,500	-
Interest rate swaps	335	(335)	37,354	6,998	12,280	18,076
Forward foreign exchange purchase contracts	45	(152)	174,167	116,029	50,152	7,986
Forward foreign exchange sales contracts	737	(57)	174,167	115,706	49,885	8,576
Total	1,117	(624)	501,188	238,733	227,817	34,638
<i>31 March 2018</i>						
<i>Derivatives</i>						
Fair value hedge	-	(580)	192,500	-	-	192,500
Interest rate swaps	989	(989)	81,995	6,049	12,924	63,022
Forward foreign exchange purchase contracts	33	(133)	163,867	118,521	21,862	23,484
Forward foreign exchange sales contracts	324	(298)	163,867	118,816	21,543	23,508
Currency Options	87	(87)	97,937	93,409	4,528	-
Total	1,433	(2,087)	700,166	336,795	60,857	302,514
<i>31 December 2018</i>						
<i>Derivatives</i>						
Fair value hedge	-	(852)	115,500	-	115,500	-
Interest rate swaps	126	(126)	39,138	6,998	12,280	19,860
Forward foreign exchange purchase contracts	101	(224)	180,987	144,358	36,408	221
Forward foreign exchange sales contracts	219	(65)	180,987	144,249	36,375	363
Currency options	4	(4)	533	206	-	327
Total	450	(1,271)	517,145	295,811	200,563	20,771

Derivatives are valued at level 2 based on quoted forward rates.

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28 LIQUIDITY COVERAGE RATIO

The Liquidity coverage ratio (LCR) is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The LCR is computed as per CBO requirement under the circular BM1127 (BASEL III: Framework on Liquidity coverage ratio and LCR disclosure standards). It is applicable from January 1, 2015 with a minimum ratio of 60% and increasing by 10% every year thereafter till it reaches a minimum required level of 100% on 1 January, 2019.

	March 2019		March 2018	
	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000
High quality liquid assets				
Total High Quality Liquid Assets (HQLA)	-	479,987	-	463,919
Cash outflows				
Stable deposits	598,708	29,935	591,973	29,599
Less stable deposits	120,122	12,012	110,550	11,055
Retail deposits and deposits from small business customers	718,830	41,947	702,523	40,654
Unsecured wholesale funding, of which:				
Operational deposits (all counterparties) and deposits in networks of cooperative banks	928,904	335,366	973,005	350,750
Additional requirements, of which				
Credit and liquidity facilities	25,121	2,512	32,836	3,284
Other contingent funding obligations	525,677	36,609	498,357	32,415
Total cash outflows	-	416,435	-	427,103
Cash inflows				
Inflows from fully performing exposures	279,379	198,935	388,247	278,220
Other cash inflows	8,546	8,546	13,057	13,057
Total cash inflows	287,925	207,481	401,304	291,277
Total high quality liquid assets		479,987		463,919
Total net cash outflows		208,954		135,826
Liquidity coverage ratio (%)		229.71		341.55