Bank Muscat SAOG

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2019

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Chairman's Report - First Quarter 2019

Dear Shareholders,

I am glad to share with you the results achieved by the Bank during the first quarter ending 31 March 2019. In line with innovative customer-centric strategies to enhance leadership and efficiency, the key business lines of the Bank sustained their performance momentum during the 3-month period.

Financial Overview

The Bank posted a net profit of RO 45.80 million for the period compared to RO 44.81 million reported during the same period in 2018, an increase of 2.2 per cent.

Net Interest Income from Conventional Banking and Income from Islamic Financing stood at RO 78.76 million for the three months period ended 31 March 2019 compared to RO 71.84 million for the same period in 2018, an increase of 9.6 per cent.

Non-interest income was RO 37.56 million for the three months period ended 31 March 2019 as compared to RO 35.36 million for the same period in 2018, an increase of 6.2 per cent. Operating expenses for the three months period ended 31 March 2019 was RO 48.58 million as compared to RO 47.77 million for the same period in 2018, an increase of 1.7 per cent. Net Impairment for credit losses and other losses for the three months period in 2019 was RO 13.46 million as against RO 6.09 million for the same period in 2018.

Net Loans and advances including Islamic financing receivables increased by 7.9 per cent to RO 9,158 million as against RO 8,485 million as at 31 March 2018.

Customer deposits including Islamic Customer deposits increased by 5.4 per cent to RO 8,042 million as against RO 7,631 million as at 31 March 2018.

Strategic initiatives & Key developments

The Bank's shareholders elected a new Board of Directors and approved the payout of 40% dividend – 35% cash and 5% bonus shares – at the Annual General Meeting (AGM). The shareholders also approved the renewal of $2 billion Euro Medium Term Note and the RO 350 million authorised capital of the Bank at the Extraordinary General Meeting (EGM).

Committed to promoting a strong savings culture, the Bank unveiled the 2019 al Mazyona Savings Scheme offering for the fourth year in a row RO 10 million prize money to customers across the Sultanate. With over 4400 high value prizes, the number of al Mazyona prizes rose by 30% this year compared to 2018.

The merger of Muscat Fund with Bank Muscat Oryx Fund was approved by the shareholders at the respective EGMs of the funds. The Bank's Private Equity and Asset Management Division (PEAM) marked a major milestone of crossing RO 1 billion assets under management (AUM). Bank Muscat Money Market Fund recorded the best industry return with 2.97% return during December 2018, higher than the typical call rate of 0.5%-1.5% offered by banks in Oman.

Maintaining its leadership in Project finance and syndicated transactions, the Bank extended a long term loan facility for a power project towards the development of renewable energy in the Sultanate. In addition, the Bank also participated in a syndicated term loan transaction for a Greenfield project in the Oil & Gas sector.

The Bank signed a Memorandum of Understanding (MoU) with Shell Oman Marketing Company, facilitating a secure and convenient electronic payment option for customers at Shell stations across the Sultanate. The Bank also launched a feature-rich prepaid card in association with Visa. Prepaid to pay for all transactions, the reloadable card is designed for everyday use, enhancing convenience and security.

Meethaq launched Hafawa Private banking offering an exclusive suite of Shari'a compliant products and services targeted at the Bank's ultra-high net worth individual segment (UHNI).

CSR & Sustainability

Giving a major thrust for human resources development, 50 Bachelor degree holders marked the start of the Association of Chartered Certified Accountants (ACCA) programme as part of a scholarship initiative launched by the Bank and Petroleum Development Oman (PDO). Committed to sustainable development, the Bank signed an agreement with the Ministry of Tourism and Al Misfat Al Ahlia company to launch a landmark tourism project to develop old Misfat village, which is a major tourist attraction in the Wilayat of Al Hamra.

Commitment to partnership in strengthening the role of micro, small and medium sized enterprises (SMEs) and creating job opportunities for Omani youth, the Bank launched Irshad financial coaching, a first-of-its-kind free consultation programme by expert coaches from the Bank to support SMEs, startup companies, entrepreneurs and individuals in managing their finances and future financial planning. Aimed at supporting children develop financial literacy, Meethaq reached over 1600 school students as part of its 'Little Investor' programme in Buraimi, Dhahirah, Dakhiliyah, Dhofar and Musandam governorates. The ongoing programme is targeted to reach students in all parts of the Sultanate.

Awards and Accolades

In recognition of banking service excellence and contributions to sustainable development, the Bank continued to win prestigious local, regional and international awards. The Bank was awarded Sharjah Economic Excellence Network Award instituted to honour the top 10 Gulf institutions which have made a mark in promoting corporate governance, quality standards and work ethic to foster responsibility towards the community, in addition to encouraging environment friendly practices to promote sustainable development. Endorsing leadership in the banking sector in Oman, the Bank won the prestigious 'Bank of the Year – Oman 2018' award by The Banker (Financial Times, London). The Bank also won the Best Private Bank in Oman award jointly hosted by the Professional Wealth Management and The Banker. The Bank won the straight through processing (STP) award by Citibank for outstanding performance in dollar denominated fund transfer and commercial payments. Reiterating commitment to sustainable social development, the Bank was honoured by the Ministry of Social Development.

In Conclusion

On behalf of the Board of Directors, I take this opportunity to thank our stakeholders for the confidence reposed in the Bank. Following 37 years of successful growth, the Sultanate's flagship financial institution is poised to further consolidate its leading position.

The Board of Directors welcomes and supports the measures taken by the Central Bank of Oman and the Capital Market Authority to strengthen the financial market in the Sultanate. The foresight and market-friendly policies adopted by His Majesty's Government have helped the Bank to record encouraging results.

As Oman marches into the 49th year of the glorious Renaissance in 2019, we express our deep gratitude and appreciation to our leader, His Majesty Sultan Qaboos Bin Said for his vision and guidance, which have helped the country along its path of success, growth and prosperity.

Khalid bin Mustahail Al Mashani

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	Unaudited 31 March 2019 RO' 000	Audited 31 December 2018 RO' 000	Unaudited 31 March 2018 RO' 000
ASSETS				
Cash and balances with Central Banks		**719,072**	1,306,756	505,561
Due from banks		**546,127**	476,043	750,875
Loans and advances	3	**7,995,498**	7,828,485	7,466,045
Islamic financing receivables	3	**1,163,427**	1,110,430	1,018,601
Investments securities	4	**1,263,939**	1,269,582	1,262,123
Other assets		**211,954**	227,242	232,543
Property and equipment and software		**79,259**	69,501	69,384
		11,979,276	12,288,039	11,305,132
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from banks		**1,143,455**	951,878	863,639
Customers' deposits	5	**7,055,110**	7,504,219	6,663,687
Islamic customers' deposits	5	**986,607**	958,466	966,921
Sukuk		**44,608**	44,608	44,608
Euro medium term notes		**385,000**	385,000	385,000
Other liabilities		**438,119**	433,349	430,713
Taxation		**21,177**	43,507	17,773
Subordinated liabilities		**39,270**	39,270	121,360
		10,113,346	10,360,297	9,493,701
EQUITY				
Equity attributable to equity holders of parent:				
Share capital	6	**309,478**	294,741	294,741
Share premium		**531,535**	531,535	531,535
General reserve		**370,988**	370,988	288,898
Legal reserve		**98,247**	98,247	90,312
Revaluation reserve		**5,770**	5,770	5,770
Subordinated loan reserve		**13,090**	13,090	82,090
Cash flow hedge reserve		**330**	437	637
Cumulative changes in fair value		**(8,978)**	(5,023)	3,585
Foreign currency translation reserve		**(2,131)**	(2,068)	(1,122)
Impairment reserve / Reserve for restructured accounts	22	**4,581**	4,623	6,043
Retained profit		**413,020**	485,402	378,942
Total equity attributable to the equity holders		**1,735,930**	1,797,742	1,681,431
Perpetual Tier I capital	7	**130,000**	130,000	130,000
TOTAL EQUITY		**1,865,930**	1,927,742	1,811,431
TOTAL LIABILITIES AND EQUITY		**11,979,276**	12,288,039	11,305,132
Net assets per share (in RO)		**0.561**	0.610	0.570
Contingent liabilities and commitments	8	**2,612,780**	2,676,435	2,786,365

The interim condensed consolidated financial statements were approved by the Board of Directors on 28 April 2019.
The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2019

	Notes	Unaudited -for three months ended- 31 March 2019 RO' 000	31 March 2018 RO' 000
Interest income	9	**111,391**	98,536
Interest expense	10	**(39,409)**	(33,130)
Net interest income		**71,982**	65,406
Income from Islamic financing / investment	9	**15,916**	13,215
Distribution to depositors	10	**(9,140)**	(6,784)
Net income from Islamic financing		**6,776**	6,431
Net interest income and income from Islamic financing		**78,758**	71,837
Commission and fee income (net)	11	**22,798**	24,269
Other operating income	12	**14,765**	11,089
OPERATING INCOME		**116,321**	107,195
OPERATING EXPENSES			
Other operating expenses		**(45,197)**	(44,379)
Depreciation		**(3,385)**	(3,389)
		(48,582)	(47,768)
Net impairment losses on financial assets	13	**(13,456)**	(6,086)
		(62,038)	(53,854)
PROFIT BEFORE TAXATION		**54,283**	53,341
Tax expense		**(8,479)**	(8,534)
PROFIT FOR THE PERIOD		**45,804**	44,807
OTHER COMPREHENSIVE (EXPENSE) INCOME			
Net other comprehensive income (expense) to be reclassified to profit or loss in subsequent periods, net of tax			
Translation of net investments in foreign operations		**(63)**	201
Net change in fair value FVOCI - debt instruments		**1,991**	(8)
Change in fair value of cash flow hedge		**(107)**	823
		1,821	1,016
Other comprehensive income (expense) not to be reclassified to profit or loss in subsequent periods			
Realised gain / (loss) on FVOCI equity investments		**(332)**	(42)
Net change in fair value FVOCI - equity instruments		**(5,946)**	(2,033)
		(6,278)	(2,075)
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		**(4,457)**	(1,059)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**41,347**	43,748
Total comprehensive income for the period attributable to			
Equity holders of Parent Company		**41,347**	43,748
Profit attributable to			
Equity holders of Parent Company		**45,804**	44,807
Earnings per share (in RO)			
- Basic and diluted	14	**0.015**	0.015

Items in other comprehensive income are disclosed net of tax.
The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2019

(Unaudited)	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Subordinated loan reserve RO' 000	Cash flow hedge reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO' 000	Impairment/ Restructured loans reserve RO' 000	Retained profit RO' 000	Total RO' 000	AET I Capital RO' 000	Total RO' 000
Balance at 1 January 2019	**294,741**	**531,535**	**370,988**	**98,247**	**5,770**	**13,090**	**437**	**(5,023)**	**(2,068)**	**4,623**	**485,402**	**1,797,742**	**130,000**	**1,927,742**
Profit for the period	-	-	-	-	-	-	-	-	-	-	**45,804**	**45,804**	-	**45,804**
Transfer from restructured reserve to retained profits	-	-	-	-	-	-	-	-	-	**(42)**	**42**	-	-	-
Realised gain/(loss) on FVOCI equity investments	-	-	-	-	-	-	-	**332**	-	-	**(332)**	-	-	-
Other comprehensive (expense) income	-	-	-	-	-	-	**(107)**	**(4,287)**	**(63)**	-	-	**(4,457)**	-	**(4,457)**
Total comprehensive income	-	-	-	-	-	-	**(107)**	**(3,955)**	**(63)**	**(42)**	**45,514**	**41,347**	-	**41,347**
Dividends paid	-	-	-	-	-	-	-	-	-	-	**(103,159)**	**(103,159)**	-	**(103,159)**
Issue of bonus shares	**14,737**	-	-	-	-	-	-	-	-	-	**(14,737)**	-	-	-
Balance as at 31 March 2019	**309,478**	**531,535**	**370,988**	**98,247**	**5,770**	**13,090**	**330**	**(8,978)**	**(2,131)**	**4,581**	**413,020**	**1,735,930**	**130,000**	**1,865,930**

(Unaudited)	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Subordinated loan reserve RO' 000	Cash flow hedge reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO' 000	Impairment/ Restructured loans reserve RO' 000	Retained profit RO' 000	Total RO' 000	AET I Capital RO' 000	Total RO' 000
Balance at 1 January 2018	270,936	509,377	288,898	90,312	5,770	82,090	(186)	16,813	(1,323)	5,100	420,546	1,688,333	130,000	1,818,333
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	(11,187)	-	106	9,296	(1,785)	-	(1,785)
Restated balance at 1 January 2018	270,936	509,377	288,898	90,312	5,770	82,090	(186)	5,626	(1,323)	5,206	429,842	1,686,548	130,000	1,816,548
Profit for the period	-	-	-	-	-	-	-	-	-	-	44,807	44,807	-	44,807
Transfer from retained profits to restructured accounts reserve	-	-	-	-	-	-	-	-	-	837	(837)	-	-	-
Realised gain/(loss) on FVOCI equity investments	-	-	-	-	-	-	-	42	-	-	(42)	-	-	-
Other comprehensive income (expense)	-	-	-	-	-	-	823	(2,083)	201		-	(1,059)	-	(1,059)
Total comprehensive income (expense)	-	-	-	-	-	-	823	(2,041)	201	837	43,928	43,748	-	43,748
Dividends paid	-	-	-	-	-	-	-	-	-		(81,281)	(81,281)	-	(81,281)
Issue of bonus shares	13,547	-	-	-	-	-	-	-	-	-	(13,547)	-	-	-
Conversion of mandatory convertible bonds	10,258	22,158	-	-	-	-	-	-	-	-	-	32,416	-	32,416
Balance as at 31 March 2018	294,741	531,535	288,898	90,312	5,770	82,090	637	3,585	(1,122)	6,043	378,942	1,681,431	130,000	1,811,431

Appropriations to legal reserve and sub-ordinated loan reserve are made on an annual basis.

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2019

	Unaudited 31 March 2019 RO' 000	Unaudited 31 March 2018 RO' 000
CASH FLOWS FROM OPERATING ACTIVTIES		
Profit for the period before taxation	**54,283**	53,341
Adjustments for :		
Depreciation	**3,385**	3,389
Impairment for credit losses on financial assets	**13,456**	6,086
Profit on sale of investments	**(2,520)**	(404)
Dividend income	**(2,248)**	(709)
Operating profit before working capital changes	**66,356**	61,703
Due from banks	**(61,770)**	(193,114)
Loans and advances	**(178,708)**	(86,271)
Islamic financing receivables	**(54,316)**	(41,835)
Other assets	**15,253**	(37,965)
Deposits from banks	**39,434**	92,095
Customers' deposits	**(449,235)**	204,488
Islamic customer deposits	**28,141**	7,019
Other liabilities	**(7,812)**	23,198
Cash from / (used in) operating activities	**(602,657)**	29,318
Income taxes paid	**(30,809)**	(33,675)
Net cash from / (used in) operating activities	**(633,466)**	(4,357)
CASH FLOWS FROM INVESTING ACTIVTIES		
Dividends received	**2,248**	709
Net movement in investments	**753**	(50,482)
Net movement in property and equipment	**(687)**	(654)
Net cash from / (used in) investing activities	**2,314**	(50,427)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(103,159)**	(81,281)
Net cash from / (used in) financing activities	**(103,159)**	(81,281)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(734,311)**	(136,065)
Cash and cash equivalents at 1 January	**1,426,843**	1,168,560
CASH AND CASH EQUIVALENTS AT 31 MARCH	**692,532**	1,032,495
Cash and cash equivalent comprises of the following:	**RO' 000**	**RO' 000**
Cash and balances with Central Banks	**718,572**	505,061
Treasury bills	**492,531**	560,422
Due from banks	**272,463**	354,590
Deposits from banks	**(791,034)**	(387,578)
	692,532	1,032,495

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Muscat SAOG (the Bank or the Parent Company) is a joint stock company incorporated in the Sultanate of Oman and is engaged in commercial and investment banking activities through a network of 169 branches (31 March 2018 : 166 branches) within the Sultanate of Oman and one branch each in Riyadh, Kingdom of Saudi Arabia and Kuwait. The Bank has representative offices in Dubai, United Arab Emirates, Singapore and Tehran, Iran. The Bank has a subsidiary in Riyadh, Kingdom of Saudi Arabia. The Bank operates in Oman under a banking license issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank has its primary listing on the Muscat Securities Market.

The Bank employed 3,771 employees as of 31 March 2019 (31 March 2018: 3,705 employees).

During 2013, the Parent Company inaugurated "Meethaq Islamic banking window" ("Meethaq") in the Sultanate of Oman to carry out banking and other financial activities in accordance with Islamic Shari'a rules and regulations. Meethaq operates under an Islamic banking license granted by the CBO on 13 January 2013. Meethaq's Shari'a Supervisory Board is entrusted to ensure Meethaq's adherence to Shari'a rules and principles in its transactions and activities. The principal activities of Meethaq include: accepting customer deposits; providing Shari'a compliant financing based on various Shari'a compliant modes; undertaking Shari'a compliant investment activities permitted under the CBO's Regulated Islamic Banking Services as defined in the licensing framework. Meethaq has 20 branches (March 2018 - 19 branches) in the Sultanate of Oman.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the period ended 31 March 2019 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the Capital Market Authority (CMA).

For the period ended 31 March 2019, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2019. The adoption of new and revised standards and interpretations has not resulted in any major changes to the Group's accounting policies and has not affected the amounts reported for the prior periods.

The unaudited interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The unaudited interim condensed financial statements have been prepared on the historical cost basis, modified to include the revaluation of freehold land and buildings and the measurement at fair value of derivative financial instruments, FVOCI investment securities and investment recorded at fair value through profit or loss. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The Islamic window operation of the Parent Company; "Meethaq" uses Financial Accounting Standards ("FAS"), issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), for preparation and reporting of its financial information. Meethaq's financial information is included in the results of the Bank, after adjusting financial reporting differences, if any, between AAOIFI and IFRS.

The functional currency of the Bank is the Rial Omani (RO). These unaudited interim condensed consolidated financial statements of the Bank are prepared in Rial Omani, rounded to the nearest thousands, except as indicated.

IFRS 16 Leases

The Group has applied the accounting standard "IFRS 16 Leases" from its mandatory adoption date of 1 January 2019. It has applied the simplified transition approach and has not restated comparative amounts for the period prior to first adoption. The group has also applied the exemptions for short term leases and low value exemptions. The Group has applied the practical expedient to grandfather the definition of a lease on transition. This means that it has applied IFRS 16 to all contracts entered before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group has recognised new assets and liabilities for its leases of premises, ATM/CDM’s (automated teller machines and cash dispensing machines), vehicles and certain IT infrastructure facilities. The nature of expenses related to those leases has now changed because the Group has recognised a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group has recognised RO 12.5 million under right-of-use assets and additional lease liabilities as at 1 January 2019 of in the financial statements.

3. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES

Loans and advances - Conventional banking

	Unaudited 31 March 2019 RO' 000	Audited 31 December 2018 RO' 000	Unaudited 31 March 2018 RO' 000
Corporate loans	**4,243,882**	4,108,883	3,820,807
Overdrafts and credit cards	**292,105**	279,632	286,914
Loans against trust receipts / Other advances	**569,958**	563,129	526,603
Bills purchased and discounted	**70,871**	62,707	84,990
Personal and housing loans	**3,137,061**	3,121,866	3,030,238
	8,313,877	8,136,217	7,749,552
Less: Impairment loss allowance	**(318,379)**	(307,732)	(283,507)
	7,995,498	7,828,485	7,466,045

Islamic financing receivables

	Unaudited 31 March 2019 RO' 000	Audited 31 December 2018 RO' 000	Unaudited 31 March 2018 RO' 000
Housing finance	**487,124**	484,705	464,802
Corporate finance	**655,778**	603,404	521,560
Consumer finance	**43,312**	43,700	43,326
	1,186,214	1,131,809	1,029,688
Less: Impairment loss allowance	**(22,787)**	(21,379)	(11,087)
	1,163,427	1,110,430	1,018,601

Movement in provision for impairment is analysed below:

	Unaudited 31 March 2019 RO' 000	Audited 31 December 2018 RO' 000	Unaudited 31 March 2018 RO' 000
1 January	**329,111**	327,784	327,784
Remeasurement on transition to IFRS 9	**-**	(32,847)	(33,439)
At 1 January (post transition)	**329,111**	294,937	294,345
Impairment for credit losses	**21,978**	78,864	9,879
Interest reserved during the period	**3,216**	10,060	1,736
Recoveries from impairment for credit losses	**(8,618)**	(36,706)	(9,698)
Reserve Interest recovered during the period	**(616)**	(5,575)	(1,433)
Written off during the period	**(4,108)**	(7,614)	(315)
Transfer from / (to) Memorandum portfolio	**249**	(4,686)	18
Foreign currency translation difference	**(20)**	(29)	62
Transfer to collateral pending sale	**-**	(19)	-
Other movements	**(26)**	(121)	-
At 31 March / 31 December	**341,166**	329,111	294,594

3. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES (continued)

At 31 March 2019, loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 294.2 million (31 March 2018 : RO 263.2 million). Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the statement of comprehensive income.

The maturity profile of loans and advances / Islamic financing receivables was as follows

	Unaudited 31 March 2019 RO' 000	*Audited* 31 December 2018 RO' 000	*Unaudited* 31 March 2018 RO' 000
On demand or within 1 month	**1,310,259**	1,397,278	1,211,510
2 to 3 months	**858,089**	514,268	746,858
4 to 12 months	**764,059**	862,832	750,542
1 to 5 years	**2,266,467**	2,184,667	1,835,634
More than 5 years	**3,960,051**	3,979,870	3,940,102
	9,158,925	8,938,915	8,484,646

4. INVESTMENT SECURITIES

	Unaudited 31 March 2019 RO' 000	*Audited* 31 December 2018 RO' 000	*Unaudited* 31 March 2018 RO' 000
Equity investments:			
Designated as at FVTPL	**31,867**	30,119	31,274
Designated as at FVOCI	**88,598**	92,509	90,387
Gross Equity investments	**120,465**	122,628	121,661
Less: Impairment loss allowance	**-**	-	-
Net equity investments	**120,465**	122,628	121,661
Debt investments:			
Designated as at FVTPL	**-**	-	-
Measured at FVOCI	**62,613**	62,879	45,722
Measured at amortised cost	**1,081,950**	1,085,188	1,096,841
Gross Debt investments	**1,144,563**	1,148,067	1,142,563
Less: Impairment loss allowance	**(1,089)**	(1,113)	(2,101)
Net debt investments	**1,143,474**	1,146,954	1,140,462
Total investment securities	**1,263,939**	1,269,582	1,262,123

4. INVESTMENT SECURITIES (continued)

As at 31 March 2019 (unaudited)	FVTPL RO' 000	FVOCI RO' 000	Amortised Cost RO' 000	Total RO' 000
Quoted Equities:				
Foreign securities	**10,169**	**61,129**	**-**	**71,298**
Other services sector	**-**	**8,338**	**-**	**8,338**
Unit funds	**10,990**	**-**	**-**	**10,990**
Financial service sector	**609**	**6,813**	**-**	**7,422**
Industrial sector	**-**	**1,314**	**-**	**1,314**
	21,768	**77,594**	**-**	**99,362**
Unquoted Equities:				
Financial services sector	**262**	**-**	**-**	**262**
Foreign securities	**741**	**1,672**	**-**	**2,413**
Local securities	**7,651**	**9,332**	**-**	**16,983**
Unit funds	**1,445**	**-**	**-**	**1,445**
	10,099	**11,004**	**-**	**21,103**
Gross Equity investments	**31,867**	**88,598**	**-**	**120,465**
Less: Impairment loss allowance	**-**	**-**	**-**	**-**
Net equity investments	**31,867**	**88,598**	**-**	**120,465**
Quoted Debt:				
Government Bonds	**-**	**-**	**500,975**	**500,975**
Foreign Bonds	**-**	**36,088**	**2,020**	**38,108**
Local Bonds	**-**	**20,942**	**71,912**	**92,854**
	-	**57,030**	**574,907**	**631,937**
Unquoted Debt:				
Treasury Bills	**-**	**-**	**492,531**	**492,531**
Local Bonds	**-**	**5,583**	**14,512**	**20,095**
	-	**5,583**	**507,043**	**512,626**
Gross debt investments	**-**	**62,613**	**1,081,950**	**1,144,563**
Less: Impairment loss allowance	**-**	**(894)**	**(195)**	**(1,089)**
Net debt investments	**-**	**61,719**	**1,081,755**	**1,143,474**
Net investments	**31,867**	**150,317**	**1,081,755**	**1,263,939**
As at 31 March 2018	31,274	134,640	1,096,209	1,262,123

As at 31 December 2018 (Audited)	FVTPL RO' 000	FVOCI RO' 000	Amortised Cost RO' 000	Total RO' 000
Quoted Equities:				
Foreign securities	9,347	61,977	-	71,324
Other services sector	-	10,293	-	10,293
Unit funds	11,350	-	-	11,350
Financial services sector	610	7,408	-	8,018
Industrial sector	-	2,069	-	2,069
	21,307	81,747	-	103,054
Unquoted Equities:				
Foreign securities	1,155	1,615	-	2,770
Local securities	7,232	9,147	-	16,379
Unit funds	425	-	-	425
	8,812	10,762	-	19,574
Gross Equities portfolio	30,119	92,509	-	122,628
Less: Impairment loss allowance	-	-	-	-
Net equities portfolio	30,119	92,509	-	122,628
Quoted Debt:				
Government Bonds	-	-	501,241	501,241
Foreign Bonds	-	34,036	2,018	36,054
Local Bonds	-	20,143	71,896	92,039
	-	54,179	575,155	629,334
Unquoted Debt:				
Treasury Bills	-	-	495,677	495,677
Local Bonds	-	8,700	14,356	23,056
	-	8,700	510,033	518,733
Gross debt portfolio	-	62,879	1,085,188	1,148,067
Less: Impairment loss allowance	-	(932)	(181)	(1,113)
Net debt portfolio	-	61,947	1,085,007	1,146,954
Net investments	30,119	154,456	1,085,007	1,269,582

5. CUSTOMERS' DEPOSITS

Conventional customers' deposits

	Unaudited 31 March 2019 RO' 000	Audited 31 December 2018 RO' 000	Unaudited 31 March 2018 RO' 000
Time deposits	**2,479,625**	3,082,061	2,131,268
Savings accounts	**2,524,445**	2,434,006	2,456,785
Current accounts	**1,694,285**	1,650,401	1,692,029
Call accounts	**293,651**	282,045	255,602
Others	**63,104**	55,706	128,003
	7,055,110	7,504,219	6,663,687

Islamic customers' deposits

	Unaudited 31 March 2019 RO' 000	Audited 31 December 2018 RO' 000	Unaudited 31 March 2018 RO' 000
Time deposits	**614,405**	590,735	619,461
Savings accounts	**172,121**	145,436	124,257
Current accounts	**103,101**	99,663	100,362
Other	**96,980**	122,632	122,841
	986,607	958,466	966,921

The maturity profile of customer's deposits (including Islamic customers' deposits) was as follows:

	Unaudited 31 March 2019 RO' 000	Audited 31 December 2018 RO' 000	Unaudited 31 March 2018 RO' 000
On demand or within 1 month	**645,461**	1,356,406	690,562
2 to 3 months	**711,363**	716,035	722,635
4 to 12 months	**1,963,361**	1,789,029	1,658,866
1 to 5 years	**3,311,869**	3,232,261	3,196,568
More than 5 years	**1,409,663**	1,368,954	1,361,977
	8,041,717	8,462,685	7,630,608

6. SHARE CAPITAL

In the Bank's annual general meeting held on 25 March 2019 the shareholders approved a dividend of 40%, 35% in the form of cash and 5% in the form of bonus shares. Thus shareholders received cash dividend of RO 0.035 per ordinary share of RO 0.100 each aggregating to RO 103.159 million on Bank's existing share capital. In addition, they received bonus shares in the proportion of one share for every 20 ordinary shares aggregating to 147,370,636 shares of RO 0.100 each amounting to RO 14.737 million.

Shareholders of the Bank who hold 10% or more of the bank's shares are given below:

	Unaudited 31 March 2019 RO' 000	*Audited* 31 December 2018 RO' 000	*Unaudited* 31 March 2018 RO' 000
Number of shares held			
Royal Court Affairs	**731,160,223**	696,343,070	696,343,070
Dubai Financial Group LLC	**364,148,020**	346,807,639	348,807,639
% of shareholding			
Royal Court Affairs	**23.63%**	23.63%	23.63%
Dubai Financial Group LLC	**11.77%**	11.77%	11.83%

7. PERPETUAL TIER I CAPITAL

On 3 April 2017, the Bank issued Additional Equity Tier 1 (AET1) capital deposit amounting to OMR 130 million. The AET1 capital constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The AET 1 capital do not have a fixed or final redemption date. They are first callable by the Bank after a minimum of 5 years from the instrument date and thereafter in accordance with the terms of the agreement and subject to prior approval of Central Bank of Oman.

The AET1 capital bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 5.5%. Thereafter the interest rate will be reset as per the terms of the agreement. Interest will be payable semi-annually in arrears and treated as deduction from equity. The Instrument meets all the requirements of AET 1 issuance as mandated by Basel and Central Bank of Oman norms.

8. CONTINGENT LIABILITIES

	Unaudited 31 March 2019 RO' 000	*Audited* 31 December 2018 RO' 000	*Unaudited* 31 March 2018 RO' 000
Letters of credit	**361,507**	398,549	475,519
Guarantees	**2,251,273**	2,277,886	2,310,846
	2,612,780	2,676,435	2,786,365

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9. INTEREST INCOME / INCOME ON ISLAMIC FINANCING / INVESTMENT

	Unaudited -for three months ended- 31 March 2019 RO' 000	Unaudited 31 March 2018 RO' 000
Loans and advances	**99,446**	89,704
Due from banks	**5,257**	3,790
Investments	**6,688**	5,042
	111,391	98,536
Islamic financing receivable	**15,033**	12,410
Islamic due from banks	**234**	176
Islamic investment	**649**	629
	15,916	13,215
	127,307	111,751

10. INTEREST EXPENSE / DISTRIBUTION TO DEPOSITORS

	Unaudited -for three months ended- 31 March 2019 RO' 000	Unaudited 31 March 2018 RO' 000
Customer's deposits	**27,961**	21,453
Subordinated liabilities/manadatory convertible bonds	**556**	1,982
Bank borrowings	**6,490**	4,754
Euro medium term notes	**4,402**	4,941
	39,409	33,130
Islamic customers deposits	**6,755**	5,857
Islamic bank borrowings	**1,807**	360
Profit paid on Sukuk	**578**	567
	9,140	6,784
	48,549	39,914

11. COMMISSION AND FEES INCOME (NET)

The commission and fees shown in the interim condensed consolidated statement of comprehensive income is net off commission and fees paid of RO 249 thousands (31 March 2018 : RO 324 thousands).

12. OTHER OPERATING INCOME

	Unaudited -for three months ended- 31 March 2019 RO' 000	Unaudited 31 March 2018 RO' 000
Foreign exchange	**9,383**	8,171
Profit on sale of investment securities	**2,188**	362
Dividend income	**2,248**	709
Other income	**946**	1,847
	14,765	11,089

Dividend income recognised on FVOCI investments during the period ended 31 March 2019 is RO 1,684 thousands. (31 March 2018: RO 399 thousands)

13. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Unaudited -for three months ended- 31 March 2019 RO' 000	Unaudited 31 March 2018 RO' 000
(Impairment) / reversal of impairment for credit losses:		
- Due from banks	**(348)**	(150)
- Loans and advances to customers	**(21,978)**	(9,879)
- Financial guarantees	**(2,042)**	(5,570)
- Acceptances	**28**	-
- Loan commitments / unutilised limits	**1,897**	-
- Investments	**23**	(375)
	(22,420)	(15,974)
Recoveries from impairment for credit losses	**8,618**	9,698
Recoveries from loans written off earlier	**346**	190
	8,964	9,888
	(13,456)	(6,086)

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14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders (after adjusting for interest on the convertible bonds, net of tax) for the period by the weighted average number of ordinary shares oustanding during the period as follows:

	Unaudited 31 March 2019	*Unaudited 31 March 2018*
Profit attributable to ordinary shareholders of parent company for diluted earnings per share (RO 000's)	**45,804**	44,807
Interest on convertible bonds, net of taxation (RO 000's)	**-**	206
	45,804	45,013
Weighted average number of shares in issue during the period (000's)	**3,094,783**	3,004,738
Basic and diluted earnings per share (RO)	**0.015**	0.015

There are no instruments that are dilutive in nature, hence the basic and diluted earnings per share are same for both the periods.

15. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group conducts transactions with certain of its directors, shareholders, senior management and companies in which they have a significant interest. The terms of these transactions are approved by the Bank's Board and Management. The balances in respect of related parties included in the interim condensed consolidated statement of financial position as at the reporting date are as follows:

	Unaudited 31 March 2019 RO' 000	*Audited 31 December 2018 RO' 000*	*Unaudited 31 March 2018 RO' 000*
a) Directors and senior management			
Loans and advances (gross and net)	**2,935**	2,557	4,058
Current, deposit and other accounts	**2,239**	1,684	1,713
b) Major shareholders and others			
Loans and advances (gross)	**66,389**	66,024	49,006
Provision and reserve interest	-	-	(6,235)
Loans and advances (net)	**66,389**	66,024	42,771
Current, deposit and other accounts	**62,386**	56,746	74,601
Customers' liabilities under documentary credits, guarantees and other commitments	**7,167**	7,037	6,059

The income and expenses in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	Unaudited 31 March 2019 RO' 000	*Unaudited 31 March 2018 RO' 000*
a) Directors and senior management		
Interest income	35	32
Interest expenditure	14	2
b) Major shareholders and others		
Interest income	822	696
Interest expenditure	406	376

During 2017, the Group entered into a settlement agreement with its related party Dubai Group LLC ('the borrower') on their exposure with the bank. As on 31 December 2017, the Group carried 100% provision towards this exposure. Under the agreement, the Group received RO 2.520 million as full and final settlement from the borrower in March 2018 against an exposure of RO 8.755 million. The settlement and the balance write-off is approved by the Board of directors and has necessary regulatory approval.

16. DERIVATIVES

As at 31 March 2019 (unaudited)	Positive fair value RO' 000	Negative fair value RO' 000	Notional total RO' 000	Notional amounts by term to maturity 0-3 months RO' 000	4-12 months RO' 000	> 12 months RO' 000
Fair value hedge	**-**	**175**	**14,538**	**-**	**-**	**14,538**
Cash flow hedge	**388**	**-**	**39,270**	**-**	**-**	**39,270**
Interest rate swaps	**5,385**	**5,367**	**714,614**	**-**	**-**	**714,614**
Commodities purchase contracts	**2,628**	**2,003**	**121,230**	**75,419**	**39,352**	**6,459**
Commodities sale contracts	**2,094**	**2,527**	**121,229**	**75,418**	**39,352**	**6,459**
Forward purchase contracts	**408**	**1,696**	**1,691,723**	**966,591**	**608,321**	**116,811**
Forward sales contracts	**7,948**	**698**	**1,681,345**	**962,339**	**603,189**	**115,817**
Total	**18,851**	**12,466**	**4,383,949**	**2,079,767**	**1,290,214**	**1,013,968**

As at 31 December 2018 (audited)	Positive fair value RO' 000	Negative fair value RO' 000	Notional total RO' 000	Notional amounts by term to maturity 0-3 months RO' 000	4-12 months RO' 000	> 12 months RO' 000
Fair value hedge	-	301	29,637	-	-	29,637
Cash flow hedge	514	-	39,270	-	-	39,270
Interest rate swaps	6,553	6,533	701,597	8,767	-	692,830
Currency options bought	3	-	321	321	-	-
Currency options sold	-	3	321	321	-	-
Commodities purchase contracts	758	5,187	115,315	64,965	45,905	4,445
Commodities sale contracts	5,333	738	115,315	64,965	45,905	4,445
Forward purchase contracts	434	1,830	1,661,242	1,058,525	491,319	111,398
Forward sales contracts	4,836	4,864	1,658,214	1,060,506	487,200	110,508
Total	18,431	19,456	4,321,232	2,258,370	1,070,329	992,533

As at 31 March 2018 (unaudited)	Positive fair value RO' 000	Negative fair value RO' 000	Notional total RO' 000	Notional amounts by term to maturity 0-3 months RO' 000	4-12 months RO' 000	> 12 months RO' 000
Fair value hedge	-	873	93,803	-	-	93,803
Cash flow hedge	609	-	52,360	-	-	52,360
Interest rate swaps	7,625	7,625	540,986	10,251	14,467	516,268
Currency options - bought	372	-	39,642	22,186	17,456	-
Currency options - sold	-	372	39,642	22,186	17,456	-
Commodity options - bought	4	-	1,614	807	807	-
Commodity options - sold	-	4	1,614	807	807	-
Commodities purchase contracts	326	3,721	82,709	61,341	13,499	7,869
Commodities sale contracts	3,485	333	76,265	56,884	11,512	7,869
Forward purchase contracts	1,086	1,290	1,604,334	1,141,759	365,605	96,970
Forward sales contracts	7,295	2,589	1,588,742	1,134,949	358,693	95,100
Total	20,802	16,807	4,121,710	2,451,170	800,302	870,238

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17. SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive committee that are used to make strategic decisions. The committee considers the business from both a geographic and product perspective. Geographically, management considers the performance of whole bank in Oman and International markets. The Oman market is further segregated into corporate, consumer, wholesale and Islamic banking as all of these business lines are located in Oman. Segment information in respect of geographical locations is as follows:

Unaudited 31 March 2018 RO' 000	*Unaudited 31 March 2018 RO' 000*	*Unaudited 31 March 2018 RO' 000*		*Unaudited 31 March 2019 RO' 000*	*Unaudited 31 March 2019 RO' 000*	*Unaudited 31 March 2019 RO' 000*
Total	*International*	*Oman*		*Oman*	*International*	*Total*
98,536	4,768	93,768	Interest income	106,182	5,209	111,391
(33,130)	(2,550)	(30,580)	Interest expense	(36,508)	(2,901)	(39,409)
13,215	-	13,215	Income from Islamic financing	15,916	-	15,916
(6,784)	-	(6,784)	Distribution to depositors	(9,140)	-	(9,140)
24,269	1,856	22,413	Commission and fee income (net)	21,677	1,121	22,798
11,089	199	10,890	Other operating income	14,548	217	14,765
107,195	4,273	102,922		112,675	3,646	116,321
			Segment costs			
(44,379)	(2,178)	(42,201)	Other operating expenses	(43,271)	(1,926)	(45,197)
(3,389)	(64)	(3,325)	Depreciation	(3,320)	(65)	(3,385)
(47,768)	(2,242)	(45,526)		(46,591)	(1,991)	(48,582)
(6,086)	(958)	(5,128)	Net impairment losses on financial assets	(6,801)	(6,655)	(13,456)
(8,534)	(46)	(8,488)	Tax expense	(8,469)	(10)	(8,479)
(62,388)	(3,246)	(59,142)		(61,861)	(8,656)	(70,517)
44,807	1,027	43,780	**Segment profit (loss) for the period**	50,814	(5,010)	45,804
			Other information			
11,305,132	592,568	10,712,564	Segment assets	11,477,290	501,986	11,979,276

17. SEGMENTAL INFORMATION (continued)

The Group reports the segment information by the following business segments Corporate, Consumer, Wholesale, International and Islamic banking. The following table shows the distribution of the Group's operating income, net profit and total assets by business segments:

31 March 2019 (unaudited)	Corporate banking RO '000	Consumer banking RO '000	Wholesale banking RO '000	International banking* RO '000	Subtotal RO '000	Islamic banking RO '000	Total RO '000
Segment revenue							
Net interest income	**30,064**	**31,618**	**7,992**	**2,308**	**71,982**	**-**	**71,982**
Net income from Islamic financing	**-**	**-**	**-**	**-**	**-**	**6,776**	**6,776**
Commission, fees and other income	**4,387**	**17,303**	**13,561**	**1,355**	**36,606**	**957**	**37,563**
Operating income	**34,451**	**48,921**	**21,553**	**3,663**	**108,588**	**7,733**	**116,321**
Segment costs							
Operating expenses	**(7,981)**	**(29,890)**	**(4,674)**	**(2,525)**	**(45,070)**	**(3,512)**	**(48,582)**
Impairment (net)	**(3,833)**	**(1,161)**	**(467)**	**(6,655)**	**(12,116)**	**(1,340)**	**(13,456)**
Tax expense	**(3,242)**	**(2,562)**	**(2,278)**	**64**	**(8,018)**	**(461)**	**(8,479)**
	(15,056)	**(33,613)**	**(7,419)**	**(9,116)**	**(65,204)**	**(5,313)**	**(70,517)**
Segment profit for the period	**19,395**	**15,308**	**14,134**	**(5,453)**	**43,384**	**2,420**	**45,804**
Segment assets	**4,581,683**	**3,304,669**	**2,118,282**	**533,044**	**10,537,678**	**1,441,598**	**11,979,276**

31 March 2018 (unaudited)	Corporate banking RO '000	Consumer banking RO '000	Wholesale banking RO '000	International banking* RO '000	Subtotal RO '000	Islamic banking RO '000	Total RO '000
Segment revenue							
Net interest income	28,477	30,639	4,044	2,246	65,406	-	65,406
Net income from Islamic financing	-	-	-	-	-	6,431	6,431
Commission, fees and other income	6,593	17,082	8,794	2,055	34,524	834	35,358
Operating income	35,070	47,721	12,838	4,301	99,930	7,265	107,195
Segment costs							
Operating expenses	(7,848)	(29,438)	(4,224)	(2,793)	(44,303)	(3,465)	(47,768)
Impairment (net)	(2,427)	(1,515)	(675)	(958)	(5,575)	(511)	(6,086)
Tax expense	(4,087)	(2,762)	(1,200)	41	(8,008)	(526)	(8,534)
	(14,362)	(33,715)	(6,099)	(3,710)	(57,886)	(4,502)	(62,388)
Segment profit for the period	20,708	14,006	6,739	591	42,044	2,763	44,807
Segment assets	4,227,715	3,196,905	2,002,838	630,973	10,058,431	1,246,701	11,305,132

Note: * International banking includes overseas operations and cost allocations from Oman operations

18. ASSET LIABILITY MATURITY

The asset and liability maturity profile was as follows:

	Unaudited 31 March 2019 RO' 000	Audited 31 December 2018 RO' 000	Unaudited 31 March 2018 RO' 000
ASSETS			
On demand or within 1 month	**2,369,107**	3,153,049	2,485,831
2 to 3 months	**1,278,195**	846,519	1,066,098
4 to 12 months	**1,095,985**	1,180,962	1,145,844
1 to 5 years	**2,848,205**	2,691,699	2,251,183
More than 5 years	**4,387,784**	4,415,810	4,356,176
	11,979,276	12,288,039	11,305,132
LIABILITIES AND EQUITY			
On demand or within 1 month	**1,348,386**	1,932,824	1,253,634
2 to 3 months	**1,105,666**	1,068,774	893,876
4 to 12 months	**2,433,185**	2,041,255	1,961,588
1 to 5 years	**3,815,255**	3,947,508	3,993,655
More than 5 years	**3,276,784**	3,297,678	3,202,379
	11,979,276	12,288,039	11,305,132
MISMATCH			
On demand or within 1 month	**1,020,721**	1,220,225	1,232,197
2 to 3 months	**172,529**	(222,255)	172,222
4 to 12 months	**(1,337,200)**	(860,293)	(815,744)
1 to 5 years	**(967,050)**	(1,255,809)	(1,742,472)
More than 5 years	**1,111,000**	1,118,132	1,153,797
	-	-	-

Mismatch represents difference between assets and liabilities for each maturity band.

19. CAPITAL ADEQUACY

The following table sets out the capital adequacy position of the Group as per Basel III regulatory requirements

	Unaudited 31 March 2019 RO' 000	Audited 31 December 2018 RO' 000	Unaudited 31 March 2018 RO' 000
Common Equity Tier I capital	**1,638,382**	1,635,605	1,575,059
AET I capital deposit	**130,000**	130,000	130,000
Tier I capital	**1,768,382**	1,765,605	1,705,059
Tier II capital	**112,040**	121,674	65,540
Total regulatory capital	**1,880,422**	1,887,279	1,770,599
Total risk weighted assets	**10,190,237**	9,818,019	10,324,083
Of which: Credit risk weighted assets	**9,229,401**	8,853,084	9,330,249
Of which: Market risk weighted assets	**161,308**	165,407	228,422
Of which: Operational risk weighted assets	**799,528**	799,528	765,412
Capital ratios :			
Common Equity Tier 1	**16.08%**	16.66%	15.26%
Tier 1	**17.35%**	17.98%	16.52%
Total capital	**18.45%**	19.22%	17.15%

19. CAPITAL ADEQUACY (continued)

The following table sets out the capital adequacy position of the Group as per Basel II guidelines issued by Central Bank of Oman for monitoring purposes:

	Unaudited 31 March 2019 RO' 000	Audited 31 December 2018 RO' 000	Unaudited 31 March 2018 RO' 000
Tier I capital	**1,783,162**	1,782,254	1,724,288
Tier II capital	**115,585**	120,732	46,312
Total regulatory capital	**1,898,747**	1,902,986	1,770,600
Total risk weighted assets	**10,190,237**	9,818,019	10,324,083
Of which: Credit risk weighted assets	**9,229,401**	8,853,084	9,330,249
Of which: Market risk weighted assets	**161,308**	165,407	228,422
Of which: Operational risk weighted assets	**799,528**	799,528	765,412
Capital ratios :			
Tier 1	**17.50%**	18.15%	16.70%
Total capital	**18.63%**	19.38%	17.15%

20. LIQUIDITY

The following table sets out the Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of the Group:

	Unaudited 31 March 2019 RO' 000	Audited 31 December 2018 RO' 000	Unaudited 31 March 2018 RO' 000
LCR	**187%**	298%	208%
NSFR	**111%**	107%	115%

21. LEVERAGE RATIO

Under its Basel III guidelines, Basel Committee for Banking Supervision (BCBS) introduced a non-risk sensitive Leverage Ratio to address excessive build-up of on and off-balance sheet exposures, which was the root cause of the Financial/Credit crisis of 2008. The ratio is calculated by dividing the Tier I capital of the bank by the Bank's total assets (sum of all on and off-balance sheet assets). Being a DSIB the Bank is required to maintain a higher Leverage ratio of 5% considering the systemic importance.

Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure as at the reporting dates:

		Unaudited *31 March 2019* *RO' 000*	*Audited* *31 December 2018* *RO' 000*	*Unaudited* *31 March 2018* *RO' 000*
1	Total consolidated assets as per published financial statements	**11,979,276**	12,288,039	11,299,561
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(29,561)**	(33,299)	(38,457)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**-**	-	-
4	Adjustments for derivative financial instruments	**87,784**	61,849	68,545
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	**-**	-	-
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	**1,646,423**	1,618,560	1,690,962
7	Other adjustments	**(7,752)**	(7,733)	(6,108)
8	Leverage ratio exposure	**13,676,170**	13,927,416	13,014,503

Table 2: Leverage ratio common disclosure template

		Unaudited *31 March 2019* *RO' 000*	*Audited* *31 December 2018* *RO' 000*	*Unaudited* *31 March 2018* *RO' 000*
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**11,979,276**	12,288,039	11,299,561
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**(37,313)**	(41,032)	(44,565)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	**11,941,963**	12,247,007	11,254,996
	Derivative Exposures			
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	**20,311**	21,576	24,072
5	Add-on amounts for PFE associated with all derivatives transactions	**67,473**	40,273	44,472
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	**-**	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**-**	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	**-**	-	-
9	Adjusted effective notional amount of written credit derivatives	**-**	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**-**	-	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**87,784**	61,849	68,544
	Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**-**	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**-**	-	-
14	CCR exposure for SFT assets	**-**	-	-
15	Agent transaction exposures	**-**	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**-**	-	-
	Other Off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	**3,333,203**	3,359,619	3,342,685
18	(Adjustments for conversion to credit equivalent amounts)	**(1,686,780)**	-1,741,059	-1,651,722
19	**Off-balance sheet items (sum of lines 17 and 18)**	**1,646,423**	1,618,560	1,690,963
	Capital and total exposures			
20	Tier 1 capital	**1,768,382**	1,765,605	1,705,059
21	Total exposures (sum of lines 3, 11, 16 and 19)	**13,676,170**	13,927,416	13,014,503
	Leverage Ratio			
22	**Basel III leverage ratio (%)**	**12.9%**	12.7%	13.1%

22. CLASSIFICATION, MEASUREMENT AND IMPAIRMENT OF FINANCIAL INSTRUMENTS

1. IFRS 9 Financial Instruments

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt IFRS 9 in any previous periods.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

2. Classification and measurement of financial assets and financial liabilities

2.1 Classification of financial assets and financial liabilities

The Group classifies its financial assets in the following measurement categories:
- at fair value through other comprehensive income (FVOCI) or
- at fair value through profit or loss (FVTPL);
- at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

2.2 Measurement of financial assets and financial liabilities

2.2.1 Financial assets measured at amortised cost

Debt instruments
Investments in debt instruments are measured at amortised cost where they have:
- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost less impairment. The measurement of credit impairment is included in *note 3 Impairment of financial assets*.

2.2.2 Financial assets measured at fair value through other comprehensive income
a) Debt instruments
Investments in debt instruments are measured at fair value through other comprehensive income where they have:
- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in profit and loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement. The measurement of credit impairment is included in *note 3 Impairment of financial assets.*

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22. CREDIT QUALITY ANALYSIS (continued)

b) Equity instruments
Investment in equity instruments that are not held for trading are measured at fair value through other comprehensive income, where an irrevocable election has been made by management.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

2.2.3 Items at fair value through profit or loss
Items at fair value through profit or loss comprise:
• items held for trading;
• items specifically designated as fair value through profit or loss on initial recognition; and
• debt instruments with contractual terms that do not represent solely payments of principal and interest.
Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

3. Impairment of financial assets

3.1 IFRS 9 introduces a new impairment model that requires the recognition of expected credit losses on all financial assets at amortised cost or at fair value through other comprehensive income (other than equity instruments), lease receivables and certain loan commitments and financial guarantee contracts. The expected credit loss must also consider forward looking information to recognise impairment allowances earlier in the lifecycle of a product. IFRS 9 consequently is likely to increase the volatility of impairment allowances as the economic outlook changes, although cash flows and cash losses are expected to remain unchanged.

3.2 IFRS 9 introduces a three-stage approach to impairment as follows:
· Stage 1 - the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition; When a Credit Facility is first recognised, the Group recognises a loss allowance based on 12 month ECL.
· Stage 2 - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
· Stage 3 - lifetime expected credit losses for financial instruments which are credit impaired either at origination or at reporting date (for e.g. in default stage) i.e. having objective evidence of default / credit impaired, shall be classified under Stage 3. Credit Facilities, considered as credit-impaired, are those facilities where any payment of principal or interest is overdue by more than 89 days. Besides quantitative and qualitative criteria are also applied for assigning Stage 3.

3.3 Assessment of significant increase in credit risk (SICR)

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. Retail facilities use the number of days past due (DPD) to determine significant increase in credit risk. For non-retail facilities, internally derived credit ratings as described above have been identified as representing the best available determinant of credit risk. The Group assigns each facility a credit rating at initial recognition based on available information about the borrower. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. In addition, as a backstop, the Group considers that significant increase in credit risk occurs when an asset is more than 30 DPD.

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22. CREDIT QUALITY ANALYSIS (continued)

3.4 Criteria used for determining SICR (i.e. movement from Stage 1 to Stage 2)

Stage 2 consists of facilities that have undergone significant increase in credit risk (SICR) since initial recognition (unless they are classified under low credit risk at the reporting date). For these exposures Lifetime ECL is recognized which might have a significant impact on the overall ECL A facility would be assigned to Stage 2 based on Quantitative, Qualitative and Backstop Criteria.

3.4.1 Quantitative Criteria

a) For non-retail exposure: based on rating degradation and days past due.

i) Rating Degradation Table

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition based on its credit risk grade downgrade provided below:

Classification	Minimum credit risk grade downgrade
Grades Aaa to Baa3	4 to 6 notch
Grades Ba1 to Caa2	1 to 4 notch

ii) Days past due (DPD) based

Any facility which has been more than 30 days delinquent would be assigned to Stage 2

b) For retail exposure: based on Days past due.

Any facility which has been more than 30 days delinquent would be assigned to Stage 2

3.4.2 Qualitative criteria

a) Individual Assessment of any Non Retail exposure belonging to list of Top 20 borrowers

b) Special Mention accounts, contracts having specific provision and not in Stage 3 & contracts having interest in suspense and not in Stage 3

c) 'In addition to the extant requirements laid down under IFRS 9, the group also follows the qualitative criteria prescribed by CBO vide its circular BM 1149 for SICR assessment.

3.5. Calculation of expected credit losses (ECL)

ECLs are calculated using three main components, i.e. a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD). These parameters are generally derived from internally developed statistical models combined with historical, current and forward-looking customer and macro-economic data. For accounting purposes, the 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility. The 12-months ECL is equal to the discounted sum over the next 12-months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the full remaining life multiplied by LGD and EAD.

3.6. Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios is formulated. This process involves developing additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities in the countries where the Group operates, supranational organisations, and selected private-sector and academic forecasters.

22. CREDIT QUALITY ANALYSIS (continued)

4. Regulatory reserves

4.1 Impairment reserve

CBO circular BM 1149 sets out guidelines on implementation of IFRS 9 while replacing existing prudential impairment norms of the Central Bank. As per the circular, in the year of adoption, if IFRS 9 based provision for impairment is lower than the provision for impairment as per regulatory guidelines, the excess, net of tax, shall be transferred as an appropriation from net profit after taxes to a regulatory reserve "Impairment reserve" under Parent Company's equity. In subsequent years, if IFRS 9 based provision for impairment (i.e. charge to the profit and loss) is lower than provision for impairment as per regulatory guidelines, the excess, net of tax, shall be transferred as an appropriation from net profit after taxes to aforementioned Impairment reserve.

The regulatory impairment reserve cannot be used by the bank for capital adequacy calculation and for declaration of any dividends. Utilization of the Impairment reserve created above would require prior approval of the Central Bank of Oman.

4.2 Reserve for restructured accounts

The Parent Company has created a reserve for restructured accounts in accordance with the regulations of the Central Bank of Oman (CBO). This reserve represents provisions on performing but restructured accounts at the rate prescribed by CBO. This reserve is not available for regulatory capital or distribution of dividends. The reserve will be released to retained earnings on satisfactory performance of these accounts as per regulatory guidelines.

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22. CREDIT QUALITY ANALYSIS (continued)

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22.1 Financial instruments by stages

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9:

31 March 2019	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	253,993	-	-	253,993
Due from Banks	506,391	2,168	-	508,559
Loans and advances	6,852,348	2,353,554	294,189	9,500,091
Investment Securities at FVOCI	54,245	8,368	-	62,613
Investment Securities at amortized Cost	1,009,357	72,593	-	1,081,950
Total funded gross exposure	8,676,334	2,436,683	294,189	11,407,206
Financial guarantee contracts	1,720,330	875,472	16,978	2,612,780
Acceptances	47,756	57,912	333	106,001
Loan Commitment/Unutilised limits	1,269,815	918,312	-	2,188,127
Total non-funded gross exposure	3,037,901	1,851,696	17,311	4,906,908
Total gross exposure	**11,714,235**	**4,288,379**	**311,500**	**16,314,114**
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	996	-	-	996
Loans and advances	14,649	110,863	215,654	341,166
Investment Securities at FVOCI	125	769		894
Investment Securities at amortized Cost	118	77		195
Total funded impairment	15,888	111,709	215,654	343,251
Financial guarantee contracts	1,662	22,022	8,167	31,851
Acceptances	23	40	-	63
Loan Commitment/Unutilised limits	2,166	6,156	-	8,322
Total non-funded impairment	3,851	28,218	8,167	40,236
Total impairment	**19,739**	**139,927**	**223,821**	**383,487**
Net exposure				
Central Bank balances	253,993	-	-	253,993
Due from Banks	505,395	2,168	-	507,563
Loans and advances	6,837,699	2,242,691	78,535	9,158,925
Investment Securities at FVOCI	54,120	7,599	-	61,719
Investment Securities at amortized Cost	1,009,239	72,516	-	1,081,755
Total funded net exposure	8,660,446	2,324,974	78,535	11,063,955
Financial guarantee contracts	1,718,668	853,450	8,811	2,580,929
Acceptances	47,733	57,872	333	105,938
Loan Commitment/Unutilised limits	1,267,649	912,156	-	2,179,805
Total net non-funded exposure	3,034,050	1,823,478	9,144	4,866,672
Total net exposure	**11,694,496**	**4,148,452**	**87,679**	**15,930,627**

Stage 1: 72% of gross exposure in scope for IFRS 9 is in Stage 1 and has not experienced a significant increase in credit risk since origination.

Stage 2: 26% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination. These assets are the key driver of increase in impairment allowances under IFRS9.

Stage 3: 2% of gross exposure is in Stage 3 which is credit impaired including defaulted assets and some forbearance assets.

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22. CREDIT QUALITY ANALYSIS (continued)

RO'000

22.1 Financial instruments by stages

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9:

31 December 2018	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	773,482	-	-	773,482
Due from Banks	457,106	335	-	457,441
Loans and advances	6,595,413	2,385,829	286,784	9,268,026
Investment Securities at FVOCI	51,440	11,439	-	62,879
Investment Securities at amortized Cost	1,076,278	8,910	-	1,085,188
Total funded gross exposure	8,953,719	2,406,513	286,784	11,647,016
Financial guarantee contracts	1,694,294	967,009	15,132	2,676,435
Acceptances	42,871	64,561	56	107,488
Loan Commitment/Unutilised limits	1,212,384	1,088,437	-	2,300,821
Total non-funded gross exposure	2,949,549	2,120,007	15,188	5,084,744
Total gross exposure	**11,903,268**	**4,526,520**	**301,972**	**16,731,760**
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	645	3	-	648
Loans and advances	14,942	107,679	206,490	329,111
Investment Securities at FVOCI	84	848	-	932
Investment Securities at amortized Cost	89	92	-	181
Total funded impairment	15,760	108,622	206,490	330,872
Financial guarantee contracts	1,330	21,257	7,233	29,820
Acceptances	16	48	27	91
Loan Commitment/Unutilised limits	2,246	7,973	-	10,219
Total non-funded impairment	3,592	29,278	7,260	40,130
Total impairment	**19,352**	**137,900**	**213,750**	**371,002**
Net exposure				
Central Bank balances	773,482	-	-	773,482
Due from Banks	456,461	332	-	456,793
Loans and advances	6,580,471	2,278,150	80,294	8,938,915
Investment Securities at FVOCI	51,356	10,591	-	61,947
Investment Securities at amortized Cost	1,076,189	8,818	-	1,085,007
Total funded net exposure	8,937,959	2,297,891	80,294	11,316,144
Financial guarantee contracts	1,692,964	945,752	7,899	2,646,615
Acceptances	42,855	64,513	29	107,397
Loan Commitment/Unutilised limits	1,210,138	1,080,464	-	2,290,602
Total net non-funded exposure	2,945,957	2,090,729	7,928	5,044,614
Total net exposure	**11,883,916**	**4,388,620**	**88,222**	**16,360,758**

Stage 1: 71.1% of gross exposure in scope for IFRS 9 is in Stage 1 and has not experienced a significant increase in credit risk since origination.

Stage 2: 27.1% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination. These assets are the key driver of increase in impairment allowances under IFRS9.

Stage 3: 1.8% of gross exposure is in Stage 3 which is credit impaired including defaulted assets and some forbearance assets.

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22. CREDIT QUALITY ANALYSIS (continued)

22.2 COMPARISON OF IFRS 9 WITH CENTRAL BANK OF OMAN (CBO) NORMS

RO '000

The following tables are as per the requirements of CBO circular BM 1149:

a. Impairment charge and provisions held

As at 31 March 2019 (Unaudited)	*As per CBO norms*	*As per IFRS 9*	*Difference*
Impairment loss charged to profit and loss account (net of recoveries)*	13,479	13,479	-
Provisions required as per CBO norms / held as per IFRS 9 *	377,106	383,487	(6,381)
Gross NPL ratio **	3.10%	3.10%	-
Net NPL ratio **	0.76%	0.76%	0.00%

* Note: Impairment loss and provisions held above includes unallocated provision created by the bank

** NPL ratios are calculated on the basis of funded non performing loans and funded exposures

b. Comparison of provision held as per IFRS 9 and required as per CBO norms

Asset classification as per CBO norms	*Asset classification as per IFRS 9*	*Gross amount*	*Provision as per CBO norms*	*Reserve interest as per CBO norms*	*Provision as per IFRS 9*	*Difference*	*Net carrying amount*	*Interest recognised as per IFRS 9*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7) = (4)+(5)-(6)*	*(8) = (3)-(6)*	*(9)*
Standard	Stage 1	**7,358,739**	**106,097**	**-**	**15,646**	**90,451**	**7,343,093**	**-**
	Stage 2	**1,711,929**	**17,329**	**-**	**60,863**	**(43,534)**	**1,651,066**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Sub total	**9,070,668**	**123,426**	**-**	**76,509**	**46,917**	**8,994,159**	**-**
Special Mention	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**643,793**	**30,184**	**-**	**48,739**	**(18,555)**	**595,054**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Sub total	**643,793**	**30,184**	**-**	**48,739**	**(18,555)**	**595,054**	**-**
Substandard	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**43,124**	**10,485**	**524**	**11,009**	**-**	**32,115**	**-**
	Sub total	**43,124**	**10,485**	**524**	**11,009**	**-**	**32,115**	**-**
Doubtful	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**39,989**	**14,548**	**1,022**	**15,570**	**-**	**24,419**	**-**
	Sub total	**39,989**	**14,548**	**1,022**	**15,570**	**-**	**24,419**	**-**
Loss	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**228,387**	**173,366**	**23,551**	**197,242**	**(325)**	**31,145**	**-**
	Sub total	**228,387**	**173,366**	**23,551**	**197,242**	**(325)**	**31,145**	**-**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	**4,355,496**	**-**	**-**	**4,093**	**(4,093)**	**4,351,403**	**-**
	Stage 2	**1,932,657**	**-**	**-**	**30,325**	**(30,325)**	**1,902,332**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Sub total	**6,288,153**	**-**	**-**	**34,418**	**(34,418)**	**6,253,735**	**-**
Total	Stage 1	**11,714,235**	**106,097**	**-**	**19,739**	**86,358**	**11,694,496**	**-**
	Stage 2	**4,288,379**	**47,513**	**-**	**139,927**	**(92,414)**	**4,148,452**	**-**
	Stage 3	**311,500**	**198,399**	**25,097**	**223,821**	**(325)**	**87,679**	**-**
	Total	**16,314,114**	**352,009**	**25,097**	**383,487**	**(6,381)**	**15,930,627**	**-**

c. *Restructured loans*

Asset classification as per CBO norms	*Asset classification as per IFRS 9*	*Gross amount*	*Provision as per CBO norms*	*Reserve interest as per CBO norms*	*Provision as per IFRS 9*	*Difference*	*Net carrying amount*	*Interest recognised as per IFRS 9*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7) = (4)+(5)-(6)*	*(8) = (3)-(6)*	*(9)*
Classified as performing	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**62,215**	**8,770**	**-**	**11,364**	**(2,594)**	**50,851**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Sub total	**62,215**	**8,770**	**-**	**11,364**	**(2,594)**	**50,851**	**-**
Classified as non-performing	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**91,165**	**62,819**	**7,745**	**70,564**	**-**	**20,601**	**-**
	Sub total	**91,165**	**62,819**	**7,745**	**70,564**	**-**	**20,601**	**-**
Total	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**62,215**	**8,770**	**-**	**11,364**	**(2,594)**	**50,851**	**-**
	Stage 3	**91,165**	**62,819**	**7,745**	**70,564**	**-**	**20,601**	**-**
	Total	**153,380**	**71,589**	**7,745**	**81,928**	**(2,594)**	**71,452**	**-**

NOTES TO THE INTERIM NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS FOR THE THREE MONTHS ENDED 31 MARCH 2019

22. CREDIT QUALITY ANALYSIS (continued)

22.2 COMPARISON OF IFRS 9 WITH CENTRAL BANK OF OMAN (CBO) NORMS

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The following tables are as per the requirements of CBO circular BM 1149:

a. Impairment charge and provisions held

As at 31 December 2018 (Audited)	As per CBO norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account (net of recoveries)*	43,855	43,855	-
Provisions required as per CBO norms / held as per IFRS 9 *	358,555	369,889	(11,334)
Gross NPL ratio **	3.09%	3.09%	-
Net NPL ratio **	0.91%	0.89%	0.02%

* Note: Impairment loss and provisions held above includes unallocated provision created by the Group

** NPL ratios are calculated on the basis of funded non performing loans and funded exposures

b. Comparison of provision held as per IFRS 9 and required as per CBO norms

Asset classification as per CBO norms (1)	Asset classification as per IFRS 9 (2)	Gross amount (3)	Provision as per CBO norms (4)	Reserve interest as per CBO norms (5)	Provision as per IFRS 9 (6)	Difference (7) = (4)+(5)-(6)	Net carrying amount (8) = (3)-(6)	Interest recognised as per IFRS 9 (9)
Standard	Stage 1	7,052,519	103,339	-	15,589	87,750	7,036,930	-
	Stage 2	1,726,165	17,416	-	54,704	(37,288)	1,671,461	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	8,778,684	120,755	-	70,293	50,462	8,708,391	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	660,024	30,023	-	52,977	(22,954)	607,047	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	660,024	30,023	-	52,977	(22,954)	607,047	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	44,254	10,813	372	11,185	-	33,069	-
	Sub total	44,254	10,813	372	11,185	-	33,069	-
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	52,142	21,706	1,442	29,122	(5,974)	23,020	-
	Sub total	52,142	21,706	1,442	29,122	(5,974)	23,020	-
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	205,576	153,049	20,394	173,443	-	32,133	-
	Sub total	205,576	153,049	20,394	173,443	-	32,133	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	2,949,549	-	-	3,590	(3,590)	2,945,959	-
	Stage 2	2,119,982	-	-	29,279	(29,279)	2,090,703	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	5,069,531	-	-	32,869	(32,869)	5,036,662	-
Total	Stage 1	10,002,068	103,339	-	19,179	84,160	9,982,889	-
	Stage 2	4,506,171	47,439	-	136,960	(89,521)	4,369,211	-
	Stage 3	301,972	185,568	22,208	213,750	(5,974)	88,222	-
	Total	14,810,211	336,346	22,208	369,889	(11,335)	14,440,322	-

Note: The above disclosure for December 2018 excludes central bank balances and investment securities measured at amortised cost and FVOCI

c. Restructured loans

Asset classification as per CBO norms (1)	Asset classification as per IFRS 9 (2)	Gross amount (3)	Provision as per CBO norms (4)	Reserve interest as per CBO norms (5)	Provision as per IFRS 9 (6)	Difference (7) = (4)+(5)-(6)	Net carrying amount (8) = (3)-(6)	Interest recognised as per IFRS 9 (9)
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	64,964	8,663	-	13,060	(4,397)	51,904	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	64,964	8,663	-	13,060	(4,397)	51,904	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	89,751	62,289	6,735	70,902	(1,878)	18,849	-
	Sub total	89,751	62,289	6,735	70,902	(1,878)	18,849	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	64,964	8,663	-	13,060	(4,397)	51,904	-
	Stage 3	89,751	62,289	6,735	70,902	(1,878)	18,849	-
	Total	154,715	70,952	6,735	83,962	(6,275)	70,753	-

23. Comparative figures

No material corresponding figures for 2018 included for comparative purposes were reclassified