Bank Muscat SAOG

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2020

بنك مسقط
bank muscat

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

Contents

bank muscat

بنك مسقط

Chairman's Report – Q1 2020

Dear Shareholders,

I would like to share with you the results achieved by the Bank during the first quarter ending 31 March 2020.

Humanity is currently facing unprecedented challenges brought about by the COVID-19 pandemic. As a matter of prudence and in response to the emerging stress arising from the impact of COVID19 and the decline in oil prices, the Bank has taken certain views in terms of credit provisions which affected the results for the quarter. We hope that the global and local situation improves soon so that economic and business conditions recover at the earliest.

Financial Overview

The bank posted a net profit of RO 33.25 million for the period compared to RO 45.80 million reported during the same period in 2019, a decrease of 27.4 per cent.

Net Interest Income from Conventional Banking and Income from Islamic Financing stood at RO 81.23 million for the three months period ended 31 March 2020 compared to RO 78.76 million for the same period in 2019, an increase of 3.1 per cent.

Non-interest income was RO 34.39 million for the three months period ended 31 March 2020 as compared to RO 37.56 million for the same period in 2019, a decrease of 8.4 per cent. The reduction was mainly due to investment losses on account of decrease in fair value of investment securities (FVPL portfolio) based on the recent fall in stock markets globally.

Operating expenses for the three months period ended 31 March 2020 was RO 50.60 million as compared to RO 48.58 million for the same period in 2019, an increase of 4.2 per cent. Net Impairment for credit and other losses for the three months period in 2020 was RO 25.73 million as against RO 13.46 million for the same period in 2019. The increase is mainly on account of precautionary and collective provisions being made on a forward looking basis given the emerging stress in the economic and business conditions as a result of the impact of COVID-19 and the continued pressure on oil prices.

Net Loans and advances including Islamic financing receivables decreased by 1.2 per cent to RO 9,046 million as against RO 9,158 million as at 31 March 2019. The reduction in the loan book is mainly attributable to prepayment of certain large corporate exposures in the last quarter of 2019.

Customer deposits including Islamic Customer deposits increased by 2 per cent to RO 8,199 million as against RO 8,042 million as at 31 March 2019.

ص.ب: ١٣٤ - الرمز البريدي: ١١٢ روي - سلطنة عمان - هاتف ٢٤٧٩٥٥٥٥ (٩٦٨) فاكس ٢٤٧٦٧٢٤٢ (٩٦٨). س.ت. ١/١٤٥٧٣/٨
P.O. Box 134, Ruwi, Postal Code 112, Sultanate of Oman, C.R No.1/14573/8, Tel.: (968) 24795555 Fax: (968) 24767242,
www.bankmuscat.com

بنك مسقط
bank muscat

Strategic Initiatives & Key Developments

In preparation for the possibility of a widespread of the pandemic, the Bank had put in place specific business continuity plans which focused on protecting the Bank's staff and customers whilst ensuring that the Bank's essential operations continue. These plans were activated and enhanced as the situation progressed, by setting up alternate sites and ensuring high availability of ATMs and CDMs across its entire network. E-channels like Mobile Banking, Internet Banking, Mobile Wallet, Contact Centre and IVR services are available 24/7. Customers are being encouraged to use mobile and Internet banking for their transactions, with guidance and tutorials available in multiple languages.

The bank has ensured full trade support and quick turnarounds for high-priority business transactions like imports of food and medicines. To alleviate the economic impact of the current situation, the bank has waived fees on debit card transactions at points of sale (PoS) and is accepting requests from affected corporate, small and medium enterprises (SME), and retail customers for deferment of loan instalments.

Bank Muscat continues to engage with its customers on an ongoing basis to provide support where needed and to make customers alert of new challenges such as the Loan Moratorium Fraud. The Bank continues to monitor the situation and take further steps to respond to the fluid situation on the ground.

The first quarter also saw the launch of the 2020 Al Mazyona Savings Scheme with the highest prize money in Oman of RO 11 million and a 50% increase in the number of winners compared to the previous year. The bank also successfully closed a senior unsecured loan facility of US $650 million with a consortium of 20 relationship banks from across the globe.

CSR & Sustainability

Highlighting the development of Omani human resources, Bank Muscat supported career fairs at top educational institutions in the country. The bank also continued its focus on strengthening SMEs by starting a new Al Wathbah Academy training programme for Omani entrepreneurs in Musandam. In line with its commitment to youth and community development, the bank has launched the 9th edition of the Green Sports programme. The bank is also continuing its nationwide anti-fraud awareness campaign in partnership with the Royal Oman Police.

In solidarity with the national efforts to fight Covid-19, Bank Muscat has allocated RO 1 million to provide necessary medical equipment and supplies in cooperation with the Ministry of Health. The Bank is continuously implementing all the directives of the Supreme Committee for Dealing with COVID-19 while also ensuring availability of essential banking services across Oman.

بنك مسقط
bank muscat

Awards and Accolades

The bank continued to win prestigious international awards in recognition of its excellence in banking. Bank Muscat was ranked first globally by leading trade publication Fastmarkets MB for predicting the price of Base Metals with an outstanding accuracy of 98% over the entire year in 2019. The bank also won four awards from EMEA Finance, two from Global Finance and one from Euromoney during the quarter.

In Conclusion

On behalf of the Board of Directors, I thank all our stakeholders for their confidence in the Bank. The Board welcomes and supports the measures taken by the Government of Oman, the Central Bank of Oman and Capital Market Authority to support our economy. I pray to the Almighty Allah to protect us and keep our beloved country and people safe and healthy during this challenging time.

Khalid bin Mustahail Al Mashani

ص.ب: ١٣٤ - الرمز البريدي: ١١٢ روي - سلطنة عمان - هاتف ٢٤٧٩٥٥٥٥ (٩٦٨) فاكس ٢٤٧٦٧٢٤٢ (٩٦٨). س.ت. ١/١٤٥٧٣/٨
P.O. Box 134, Ruwi, Postal Code 112, Sultanate of Oman, C.R No.1/14573/8, Tel.: (968) 24795555 Fax: (968) 24767242,
www.bankmuscat.com

ملتزمون بالجودة
committed to quality

bank muscat

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	Unaudited 31 March 2020 RO' 000	Audited 31 Dec 2019 RO' 000	Unaudited 31 March 2019 RO' 000
ASSETS				
Cash and balances with Central Banks		**586,274**	781,755	719,072
Due from banks		**785,999**	869,804	546,127
Loans and advances	3	**7,872,734**	7,712,193	7,995,498
Islamic financing receivables	3	**1,173,498**	1,165,848	1,163,427
Investments securities	4	**1,478,173**	1,444,832	1,263,939
Other assets		**269,024**	236,694	211,954
Property and equipment and software		**75,483**	79,482	79,259
		12,241,185	12,290,608	11,979,276
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from banks		**1,098,227**	1,173,479	1,143,455
Customers' deposits	5	**7,186,035**	7,011,266	7,055,110
Islamic customers' deposits	5	**1,013,356**	1,032,400	986,607
Sukuk		**90,205**	90,205	44,608
Euro medium term notes		**387,374**	385,410	385,000
Other liabilities		**511,742**	521,864	438,119
Taxation		**21,612**	47,168	21,177
Subordinated liabilities		**26,180**	26,180	39,270
		10,334,731	10,287,972	10,113,346
EQUITY				
Equity attributable to equity holders of parent:				
Share capital	6	**324,952**	309,478	309,478
Share premium		**531,535**	531,535	531,535
General reserve		**384,078**	384,078	370,988
Legal reserve		**103,160**	103,160	98,247
Revaluation reserve		**4,904**	4,904	5,770
Subordinated loan reserve		**13,090**	13,090	13,090
Cash flow hedge reserve		**(202)**	(34)	330
Cumulative changes in fair value		**(18,851)**	(372)	(8,978)
Foreign currency translation reserve		**(2,618)**	(2,296)	(2,131)
Impairment reserve / Reserve for restructured accounts	22	**2,377**	2,606	4,581
Retained profit		**434,029**	526,487	413,020
Total equity attributable to the equity holders		**1,776,454**	1,872,636	1,735,930
Perpetual Tier I capital	7	**130,000**	130,000	130,000
TOTAL EQUITY		**1,906,454**	2,002,636	1,865,930
TOTAL LIABILITIES AND EQUITY		**12,241,185**	12,290,608	11,979,276
Net assets per share (in RO)		**0.547**	0.605	0.561
Contingent liabilities and commitments	8	**2,420,557**	2,322,957	2,612,780

The interim condensed consolidated financial statements were approved by the Board of Directors on 28 April 2020.
The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2020

		Unaudited -for three months ended-	
		31 March 2020	31 March 2019
	Notes	RO' 000	RO' 000
Interest income	9	**112,182**	111,391
Interest expense	10	**(37,489)**	(39,409)
Net interest income		**74,693**	71,982
Income from Islamic financing / investment	9	**17,043**	15,916
Distribution to depositors	10	**(10,504)**	(9,140)
Net income from Islamic financing		**6,539**	6,776
Net interest income and income from Islamic financing		**81,232**	78,758
Commission and fee income (net)	11	**25,434**	22,798
Other operating income	12	**8,960**	14,765
OPERATING INCOME		**115,626**	116,321
OPERATING EXPENSES			
Other operating expenses		**(45,450)**	(44,265)
Depreciation		**(5,151)**	(4,317)
		(50,601)	(48,582)
Net impairment losses on financial assets	13	**(25,734)**	(13,456)
		(76,335)	(62,038)
PROFIT BEFORE TAXATION		**39,291**	54,283
Tax expense		**(6,044)**	(8,479)
PROFIT FOR THE PERIOD		**33,247**	45,804
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		**(322)**	(63)
Net change in fair value FVOCI - debt instruments		**(7,989)**	1,991
Change in fair value of cash flow hedge		**(168)**	(107)
		(8,479)	1,821
Other comprehensive income (expense) not to be reclassified to profit or loss in subsequent periods			
Realised gain / (loss) on FVOCI equity instruments		**(2,143)**	(332)
Change in fair value of FVOCI equity instruments		**(10,490)**	(5,946)
		(12,633)	(6,278)
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		**(21,112)**	(4,457)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**12,135**	41,347
Total comprehensive income for the period attributable to			
Equity holders of Parent Company		**12,135**	41,347
Profit attributable to			
Equity holders of Parent Company		**33,247**	45,804
Earnings per share (in RO)			
- Basic and diluted	14	**0.010**	0.014

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.

bank muscat

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2020

(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 2020	**309,478**	**531,535**	**384,078**	**103,160**	**4,904**	**13,090**	**(34)**	**(372)**	**(2,296)**	**2,606**	**526,487**	**1,872,636**	**130,000**	**2,002,636**
Profit for the period	-	-	-	-	-	-	-	-	-	-	**33,247**	**33,247**	-	**33,247**
Transfer from restructured reserve to retained profits	-	-	-	-	-	-	-	-	-	**(229)**	**229**	-	-	-
Realised gain/(loss) on FVOCI equity investments	-	-	-	-	-	-	-	**2,143**		-	**(2,143)**	-	-	-
Other comprehensive (expense) income	-	-	-	-	-	-	**(168)**	**(20,622)**	**(322)**	-	-	**(21,112)**	-	**(21,112)**
Total comprehensive income	-	-	-	-	-	-	**(168)**	**(18,479)**	**(322)**	**(229)**	**31,333**	**12,135**	-	**12,135**
Dividends paid	-	-	-	-	-	-	-	-	-	-	**(108,317)**	**(108,317)**	-	**(108,317)**
Issue of bonus shares	**15,474**	-	-	-	-	-	-	-	-	-	**(15,474)**	-	-	-
Interest paid on perpetual Tier 1 capital	-	-	-	-	-	-	-	-	-	-	-	-		-
Balance as at 31 March 2020	**324,952**	**531,535**	**384,078**	**103,160**	**4,904**	**13,090**	**(202)**	**(18,851)**	**(2,618)**	**2,377**	**434,029**	**1,776,454**	**130,000**	**1,906,454**

(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 retained profits to restructured accounts reserve	-	-	-	-	-	-	-	-	-	(42)	42	-	-	-
Realised gain/(loss) on FVOCI equity investments	-	-	-	-	-	-	-	332	-	-	(332)	-	-	-
Other comprehensive income (expense)	-	-	-	-	-	-	(107)	(4,287)	(63)	-	-	(4,457)	-	(4,457)
Total comprehensive income (expense)	-	-	-	-	-	-	(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

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.

بنك مسقط
bank muscat

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Unaudited 31 March 2020 RO' 000	Unaudited 31 March 2019 RO' 000
CASH FLOWS FROM OPERATING ACTIVTIES		
Profit for the period before taxation	**39,291**	54,283
Adjustments for :		
Depreciation	**5,151**	4,317
Impairment for credit losses on financial assets	**25,734**	13,456
Profit on sale of Property and equipment	**9**	-
Profit on sale of investments	**859**	(2,520)
Dividend income	**(1,889)**	(2,248)
Operating profit before working capital changes	**69,155**	67,288
Due from banks	**(40,688)**	(61,770)
Loans and advances	**(186,080)**	(178,708)
Islamic financing receivables	**(8,987)**	(54,316)
Other assets	**(32,724)**	15,253
Deposits from banks	**310,112**	39,434
Customers' deposits	**174,763**	(449,235)
Islamic customer deposits	**(19,044)**	28,141
Other liabilities	**(5,935)**	(7,812)
Cash from / (used in) operating activities	**260,572**	(601,725)
Income taxes paid	**(31,600)**	(30,809)
Net cash from / (used in) operating activities	**228,972**	(632,534)
CASH FLOWS FROM INVESTING ACTIVTIES		
Dividends received	**1,889**	2,248
Net movement in investments	**(101,171)**	753
Net movement in property and equipment	**(1,161)**	(1,619)
Net cash from / (used in) investing activities	**(100,443)**	1,382
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(108,317)**	(103,159)
Net cash from / (used in) financing activities	**(108,317)**	(103,159)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**20,212**	(734,311)
Cash and cash equivalents at 1 January	**982,185**	1,426,843
CASH AND CASH EQUIVALENTS AT 31 MARCH	**1,002,397**	692,532
Cash and cash equivalent comprises of the following:		
Cash and balances with Central Banks	**585,774**	718,572
Treasury bills	**416,255**	492,531
Due from banks	**485,855**	272,463
Deposits from banks	**(485,487)**	(791,034)
	1,002,397	692,532

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 2020

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 Mar 2019 : 169 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 3,837 employees as of 31 March 2020 (31 March 2019: 3,771 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 2019 - 20 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 2020 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 2020, 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 2020. 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 2020 are not necessarily indicative of the results that may be expected for the financial year 2020.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

3. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES

Loans and advances - Conventional banking

	Unaudited 31 March 2020 RO' 000	*Audited* 31 Dec 2019 RO' 000	*Unaudited* 31 March 2019 RO' 000
Corporate loans	**3,963,906**	3,834,616	4,243,882
Overdrafts and credit cards	**311,077**	312,069	292,105
Loans against trust receipts / Other advances	**523,824**	513,853	569,958
Bills purchased and discounted	**127,255**	93,311	70,871
Personal and housing loans	**3,263,320**	3,247,046	3,137,061
	8,189,382	8,000,895	8,313,877
Less: Impairment loss allowance	**(316,648)**	(288,702)	(318,379)
	7,872,734	7,712,193	7,995,498

Islamic financing receivables

	Unaudited 31 March 2020 RO' 000	*Audited* 31 Dec 2019 RO' 000	*Unaudited* 31 March 2019 RO' 000
Housing finance	**487,916**	490,041	487,124
Corporate finance	**669,930**	657,438	655,778
Consumer finance	**43,587**	44,453	43,312
	1,201,433	1,191,932	1,186,214
Less: Impairment loss allowance	**(27,935)**	(26,084)	(22,787)
	1,173,498	1,165,848	1,163,427

Movement in impairment loss is analysed below:

	Unaudited 31 March 2020 RO' 000	*Audited* 31 Dec 2019 RO' 000	*Unaudited* 31 March 2019 RO' 000
1 January	**314,786**	329,111	329,111
Impairment for credit losses	**35,100**	67,829	21,978
Interest reserved during the period	**4,083**	15,842	3,216
Recoveries from impairment for credit losses	**(7,992)**	(35,946)	(8,618)
Reserve Interest recovered during the period	**(986)**	(4,914)	(616)
Written off during the period	**(423)**	(2,423)	(4,108)
Transfer from / (to) Memorandum portfolio	**209**	(54,700)	249
Foreign currency translation difference	**(193)**	8	(20)
Transfer to collateral pending sale	**-**	-	-
Other movements	**(1)**	(21)	(26)
At 31 March / 31 December	**344,583**	314,786	341,166

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

At 31 March 2020, loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 322.1 million (31 March 2019 : RO 294.2 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	*Audited*	*Unaudited*
	31 March 2020 RO' 000	*31 Dec 2019 RO' 000*	*31 March 2019 RO' 000*
On demand or within 1 month	**1,413,361**	1,133,743	1,310,259
2 to 3 months	**768,208**	743,944	858,089
4 to 12 months	**579,170**	803,042	764,059
1 to 5 years	**2,176,161**	2,172,906	2,266,467
More than 5 years	**4,109,332**	4,024,406	3,960,051
	9,046,232	8,878,041	9,158,925

4. INVESTMENT SECURITIES

	Unaudited	*Audited*	*Unaudited*
	31 March 2020 RO' 000	*31 Dec 2019 RO' 000*	*31 March 2019 RO' 000*
Equity investments:			
Designated as at FVTPL	**23,563**	25,934	31,867
Designated as at FVOCI	**73,654**	84,724	88,598
Equity investments	**97,217**	110,658	120,465
Debt investments:			
Designated as at FVTPL	**-**	-	-
Measured at FVOCI	**131,533**	60,789	62,613
Measured at amortised cost	**1,251,819**	1,274,998	1,081,950
Gross Debt investments	**1,383,352**	1,335,787	1,144,563
Less: Impairment loss allowance	**(2,396)**	(1,613)	(1,089)
Net debt investments	**1,380,956**	1,334,174	1,143,474
Total investment securities	**1,478,173**	1,444,832	1,263,939

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

4. INVESTMENT SECURITIES (continued)

As at 31 March 2020 (unaudited)	FVTPL RO' 000	FVOCI RO' 000	Amortised Cost RO' 000	Total RO' 000
Quoted Equities:				
Foreign securities	6,730	56,974	-	63,704
Other services sector	-	6,314	-	6,314
Unit funds	6,736	-	-	6,736
Financial service sector	610	6,020	-	6,630
Industrial sector	-	1,319	-	1,319
	14,076	70,627	-	84,703
Unquoted Equities:				
Financial services sector	-	-	-	-
Foreign securities	906	1,172	-	2,078
Local securities	8,190	1,855	-	10,045
Unit funds	391	-	-	391
	9,487	3,027	-	12,514
Equity investments	23,563	73,654	-	97,217
Less: Impairment loss allowance	-	-	-	-
Net equity investments	23,563	73,654	-	97,217
Quoted Debt:				
Treasury Bills	-	74,877	-	74,877
Government Bonds	-	-	726,255	726,255
Foreign Bonds	-	32,987	5,007	37,994
Local Bonds	-	18,841	91,442	110,283
	-	126,705	822,704	949,409
Unquoted Debt:				
Treasury Bills	-	-	416,255	416,255
Local Bonds	-	4,828	12,860	17,688
	-	4,828	429,115	433,943
Gross debt investments	-	131,533	1,251,819	1,383,352
Less: Impairment loss allowance	-	(1,369)	(1,027)	(2,396)
Net debt investments	-	130,164	1,250,792	1,380,956
Net investments	23,563	203,818	1,250,792	1,478,173
As at 31 March 2019	31,867	150,317	1,081,755	1,263,939

As at 31 December 2019 (Audited)	FVTPL RO' 000	FVOCI RO' 000	Amortised Cost RO' 000	Total RO' 000
Quoted Equities:				
Foreign securities	7,518	65,761	-	73,279
Other services sector	-	7,616	-	7,616
Unit funds	9,014	-	-	9,014
Financial services sector	608	6,451	-	7,059
Industrial sector	-	1,369	-	1,369
	17,140	81,197	-	98,337
Unquoted Equities:				
Foreign securities	870	1,672	-	2,542
Local securities	7,533	1,855	-	9,388
Unit funds	391	-	-	391
	8,794	3,527	-	12,321
Equities portfolio	25,934	84,724	-	110,658
Quoted Debt:				
Government Bonds	-	-	702,652	702,652
Foreign Bonds	-	32,811	5,012	37,823
Local Bonds	-	22,503	91,415	113,918
	-	55,314	799,079	854,393
Unquoted Debt:				
Treasury Bills	-	-	461,819	461,819
Local Bonds	-	5,475	14,100	19,575
	-	5,475	475,919	481,394
Gross debt portfolio	-	60,789	1,274,998	1,335,787
Less: Impairment loss allowance	-	(1,311)	(302)	(1,613)
Net debt portfolio	-	59,478	1,274,696	1,334,174
Net investments	25,934	144,202	1,274,696	1,444,832

5. CUSTOMERS' DEPOSITS

Conventional customers' deposits

	Unaudited 31 March 2020 RO' 000	Audited 31 Dec 2019 RO' 000	Unaudited 31 March 2019 RO' 000
Time deposits	**2,404,660**	2,393,235	2,479,625
Savings accounts	**2,715,332**	2,580,493	2,524,445
Current accounts	**1,693,073**	1,665,699	1,694,285
Call accounts	**315,863**	314,200	293,651
Others	**57,107**	57,639	63,104
	7,186,035	7,011,266	7,055,110

Islamic customers' deposits

	Unaudited 31 March 2020 RO' 000	Audited 31 Dec 2019 RO' 000	Unaudited 31 March 2019 RO' 000
Time deposits	**584,951**	628,242	614,405
Savings accounts	**230,718**	215,638	172,121
Current accounts	**116,594**	111,478	103,101
Other	**81,093**	77,042	96,980
	1,013,356	1,032,400	986,607

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

	Unaudited 31 March 2020 RO' 000	Audited 31 Dec 2019 RO' 000	Unaudited 31 March 2019 RO' 000
On demand or within 1 month	**776,221**	704,616	645,461
2 to 3 months	**649,555**	844,144	711,363
4 to 12 months	**1,956,000**	1,672,796	1,963,361
1 to 5 years	**3,347,362**	3,409,315	3,311,869
More than 5 years	**1,470,253**	1,412,795	1,409,663
	8,199,391	8,043,666	8,041,717

6. SHARE CAPITAL

On 8 March 2020 invitation was sent to the shareholders of the bank for Annual General Meeting (AGM) and Extraordinary General Meeting (EGM). Pursuant to the instructions issued by the Supreme Committee that considers the mechanism for dealing with developments resulting from the spread of Coronavirus (COVID-19) to suspend all rallies, events including conferences in the Sultanate and circular no. (3/2020) dated 18th March 2020 issued by the Capital Market Authority (CMA) in this regard, it has been decided to postpone the EGM and AGM of the shareholders' of the Bank scheduled for 24 March, 2020 until further notice.

CMA vide its circular no. (4/2020) dated 18 March 2020 has approved the distribution of dividends for the listed companies. Accordingly, the Group has distributed the dividends to its shareholders (record date being 24 March 2020) as recommended in the agenda and as approved by the regulators. The same will be placed before the shareholders, for ratification, once the meeting is convened.

Thus shareholders received cash dividend of RO 0.035 per ordinary share of RO 0.100 each aggregating to RO 108.317 million on Bank's existing share capital. In addition, they received bonus shares in the proportion of 5 bonus share for every 100 ordinary shares aggregating to 154,739,168 shares of RO 0.100 each amounting to RO 15.474 million.

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

	Unaudited	*Audited*	*Unaudited*
	31 March 2020	***31 Dec 2019***	***31 March 2019***
	RO' 000	***RO' 000***	***RO' 000***
Number of shares held			
Royal Court Affairs	**768,005,073**	731,160,223	731,160,223
Dubai Financial Group LLC	**382,355,421**	364,148,020	364,148,020
% of shareholding			
Royal Court Affairs	**23.63%**	23.63%	23.63%
Dubai Financial Group LLC	**11.77%**	11.77%	11.77%

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. 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	*Audited*	*Unaudited*
	31 March 2020	***31 Dec 2019***	***31 March 2019***
	RO' 000	***RO' 000***	***RO' 000***
Letters of credit	**452,983**	343,773	361,507
Guarantees	**1,967,574**	1,979,184	2,251,273
	2,420,557	2,322,957	2,612,780

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

9. INTEREST INCOME / INCOME ON ISLAMIC FINANCING / INVESTMENT

	Unaudited -for three months ended- 31 March 2020 RO' 000	Unaudited 31 March 2019 RO' 000
Loans and advances	**98,003**	99,446
Due from banks	**4,669**	5,257
Investments	**9,510**	6,688
	112,182	111,391
Islamic financing receivable	**15,460**	15,033
Islamic due from banks	**241**	234
Islamic investment	**1,342**	649
	17,043	15,916
	129,225	127,307

10. INTEREST EXPENSE / DISTRIBUTION TO DEPOSITORS

	Unaudited -for three months ended- 31 March 2020 RO' 000	Unaudited 31 March 2019 RO' 000
Customer's deposits	**27,730**	27,961
Subordinated liabilities/manadatory convertible bonds	**375**	556
Bank borrowings	**4,991**	6,490
Euro medium term notes	**4,393**	4,402
	37,489	39,409
Islamic customers deposits	**7,713**	6,755
Islamic bank borrowings	**1,582**	1,807
Profit paid on Sukuk	**1,209**	578
	10,504	9,140
	47,993	48,549

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 337 thousands (30 September 2018 : RO 249 thousands).

12. OTHER OPERATING INCOME

	Unaudited -for three months ended- 31 March 2020 RO' 000	Unaudited 31 March 2019 RO' 000
Foreign exchange	**9,241**	9,383
Profit on investment securities	**(3,002)**	2,188
Dividend income	**1,889**	2,248
Other income	**832**	946
	8,960	14,765

Dividend income recognised on FVOCI investments during the period ended 31 March 2020 is RO 1,548 thousands. (31 March 2019: RO 1,684 thousands)

13. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Unaudited -for three months ended- 31 March 2020 RO' 000	Unaudited 31 March 2019 RO' 000
(Impairment) / reversal of impairment for credit losses:		
- Due from banks	**(386)**	(348)
- Loans and advances to customers	**(35,100)**	(21,978)
- Financial guarantees	**1,736**	(2,042)
- Acceptances	**(72)**	28
- Loan commitments / unutilised limits	**649**	1,897
- Investments	**(785)**	23
	(33,958)	(22,420)
Recoveries from impairment for credit losses	**7,992**	8,618
Recoveries from loans written off earlier	**232**	346
	8,224	8,964
	(25,734)	(13,456)

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 2020	Unaudited 31 March 2019
Profit attributable to ordinary shareholders of parent company for diluted earnings per share (RO 000's)	**33,247**	45,804
Weighted average number of shares in issue during the period (000's)	**3,249,523**	3,249,523
Basic and diluted earnings per share (RO)	**0.010**	0.014

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 2020 RO' 000	Audited 31 Dec 2019 RO' 000	Unaudited 31 March 2019 RO' 000
a) Directors and senior management			
Loans and advances (gross and net)	**1,453**	2,763	2,935
Current, deposit and other accounts	**1,785**	974	2,239
b) Major shareholders and others			
Loans and advances (gross)	**79,375**	77,348	66,389
Current, deposit and other accounts	**26,878**	27,235	62,386
Customers' liabilities under documentary credits, guarantees and other commitments	**7,923**	7,685	7,167

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

	Unaudited 31 March 2020 RO' 000	Unaudited 31 March 2019 RO' 000
a) Directors and senior management		
Interest income	16	35
Interest expenditure	13	14
b) Major shareholders and others		
Interest income	1,069	822
Interest expenditure	99	406

16. DERIVATIVES

As at 31 March 2020 (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	**2,374**	**-**	**192,500**	**-**	**-**	**192,500**
Cash flow hedge	**-**	**237**	**26,180**	**-**	**-**	**26,180**
Interest rate swaps	**21,784**	**21,784**	**830,806**	**-**	**203,112**	**627,694**
Commodities purchase contracts	**69**	**16,887**	**118,433**	**77,191**	**37,705**	**3,537**
Commodities sale contracts	**17,316**	**2,599**	**118,433**	**77,191**	**37,705**	**3,537**
Forward purchase contracts	**355**	**1,938**	**2,045,422**	**1,266,648**	**693,925**	**84,849**
Forward sales contracts	**5,188**	**6,630**	**2,041,808**	**1,270,301**	**687,767**	**83,740**
Total	**47,086**	**50,075**	**5,373,582**	**2,691,331**	**1,660,214**	**1,022,037**

As at 31 December 2019 (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	410	16	202,333	9,833	-	192,500
Cash flow hedge	-	40	26,180	-	-	26,180
Interest rate swaps	9,907	9,773	840,428	-	198,749	641,679
Currency options bought	-	-	-	-	-	-
Currency options sold	-	-	-	-	-	-
Commodities purchase contracts	4,695	1,605	119,427	70,261	46,598	2,568
Commodities sale contracts	1,694	4,569	119,426	70,260	46,598	2,568
Forward purchase contracts	848	1,144	1,749,425	945,799	633,216	170,410
Forward sales contracts	4,720	1,528	1,742,584	943,912	630,008	168,664
Total	22,274	18,675	4,799,803	2,040,065	1,555,169	1,204,569

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
Currency options - bought	-	-	-	-	-	-
Currency options - sold	-	-	-	-	-	-
Commodity options - bought	-	-	-	-	-	-
Commodity options - sold	-	-	-	-	-	-
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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

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 2019 RO' 000 Total	Unaudited 31 March 2019 RO' 000 International	Unaudited 31 March 2019 RO' 000 Oman		Unaudited 31 March 2020 RO' 000 Oman	Unaudited 31 March 2020 RO' 000 International	Unaudited 31 March 2020 RO' 000 Total
111,391	5,209	106,182	Interest income	108,899	3,283	112,182
(39,409)	(2,901)	(36,508)	Interest expense	(35,540)	(1,949)	(37,489)
15,916	-	15,916	Income from Islamic financing	17,043	-	17,043
(9,140)	-	(9,140)	Distribution to depositors	(10,504)	-	(10,504)
22,798	1,121	21,677	Commission and fee income (net)	24,469	965	25,434
14,765	217	14,548	Other operating income	8,305	655	8,960
116,321	3,646	112,675		112,672	2,954	115,626
			Operating expenses			
(44,265)	(1,926)	(42,339)	Other operating expenses	(44,242)	(1,208)	(45,450)
(4,317)	(65)	(4,252)	Depreciation	(4,992)	(159)	(5,151)
(48,582)	(1,991)	(46,591)		(49,234)	(1,367)	(50,601)
(13,456)	(6,655)	(6,801)	Net impairment losses on financial assets	(22,465)	(3,269)	(25,734)
(8,479)	(10)	(8,469)	Tax expense	(5,980)	(64)	(6,044)
(70,517)	(8,656)	(61,861)		(77,679)	(4,700)	(82,379)
45,804	(5,010)	50,814	**Profit (Loss) for the period**	34,993	(1,746)	33,247
			Other information			
11,979,276	501,986	11,477,290	Total assets	11,791,733	449,452	12,241,185

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 2020 (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	**31,127**	**35,844**	**6,388**	**1,334**	**74,693**	**-**	**74,693**
Net income from Islamic financing	**-**	**-**	**-**	**-**	**-**	**6,539**	**6,539**
Commission, fees and other income	**5,090**	**17,896**	**8,725**	**1,636**	**33,347**	**1,047**	**34,394**
Operating income	**36,217**	**53,740**	**15,113**	**2,970**	**108,040**	**7,586**	**115,626**
Segment costs							
Operating expenses	**(8,755)**	**(31,678)**	**(4,900)**	**(1,823)**	**(47,156)**	**(3,445)**	**(50,601)**
Impairment (net)	**(13,547)**	**(6,492)**	**(589)**	**(3,269)**	**(23,897)**	**(1,837)**	**(25,734)**
Tax expense	**(2,051)**	**(2,276)**	**(1,350)**	**2**	**(5,675)**	**(369)**	**(6,044)**
	(24,353)	**(40,446)**	**(6,839)**	**(5,090)**	**(76,728)**	**(5,651)**	**(82,379)**
Segment profit for the period	**11,864**	**13,294**	**8,274**	**(2,120)**	**31,312**	**1,935**	**33,247**
Segment assets	**4,489,196**	**3,414,956**	**2,424,669**	**473,863**	**10,802,684**	**1,438,501**	**12,241,185**

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

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 2020 RO' 000	Audited 31 Dec 2019 RO' 000	Unaudited 31 March 2019 RO' 000
ASSETS			
On demand or within 1 month	**2,466,383**	2,391,226	2,369,107
2 to 3 months	**1,339,064**	1,328,151	1,278,195
4 to 12 months	**1,120,194**	1,326,741	1,095,985
1 to 5 years	**2,641,854**	2,619,501	2,848,205
More than 5 years	**4,673,690**	4,624,989	4,387,784
	12,241,185	12,290,608	11,979,276
LIABILITIES AND EQUITY			
On demand or within 1 month	**1,356,175**	1,379,021	1,348,386
2 to 3 months	**901,143**	1,377,739	1,105,666
4 to 12 months	**2,264,161**	1,955,433	2,433,185
1 to 5 years	**4,341,200**	4,162,054	3,815,255
More than 5 years	**3,378,506**	3,416,361	3,276,784
	12,241,185	12,290,608	11,979,276
MISMATCH			
On demand or within 1 month	**1,110,208**	1,012,205	1,020,721
2 to 3 months	**437,921**	(49,588)	172,529
4 to 12 months	**(1,143,967)**	(628,692)	(1,337,200)
1 to 5 years	**(1,699,346)**	(1,542,553)	(967,050)
More than 5 years	**1,295,184**	1,208,628	1,111,000
	-	-	-

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 2020 RO' 000	Audited 31 Dec 2019 RO' 000	Unaudited 31 March 2019 RO' 000
Common Equity Tier I capital	**1,700,305**	1,707,995	1,638,382
AET I capital deposit	**130,000**	130,000	130,000
Tier I capital	**1,830,305**	1,837,995	1,768,382
Tier II capital	**80,988**	91,485	112,040
Total regulatory capital	**1,911,293**	1,929,480	1,880,422
Total risk weighted assets	**9,967,730**	9,784,845	10,190,237
Of which: Credit risk weighted assets	**8,991,675**	8,796,525	9,229,401
Of which: Market risk weighted assets	**139,276**	151,541	161,308
Of which: Operational risk weighted assets	**836,779**	836,779	799,528
Capital ratios :			
Common Equity Tier 1	**17.06%**	17.46%	16.08%
Tier 1	**18.36%**	18.78%	17.35%
Total capital	**19.17%**	19.72%	18.45%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

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 2020 RO' 000	*Audited 31 Dec 2019 RO' 000*	*Unaudited 31 March 2019 RO' 000*
Tier I capital	**1,842,501**	1,855,033	1,783,162
Tier II capital	**79,264**	83,609	115,585
Total regulatory capital	**1,921,765**	1,938,642	1,898,747
Total risk weighted assets	**9,967,730**	9,784,845	10,190,237
Of which: Credit risk weighted assets	**8,991,675**	8,796,525	9,229,401
Of which: Market risk weighted assets	**139,276**	151,541	161,308
Of which: Operational risk weighted assets	**836,779**	836,779	799,528
Capital ratios :			
Tier 1	**18.48%**	18.96%	17.50%
Total capital	**19.28%**	19.81%	18.63%

20. LIQUIDITY

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

	Unaudited 31 March 2020 RO' 000	*Audited 31 Dec 2019 RO' 000*	*Unaudited 31 March 2019 RO' 000*
LCR	**320%**	215%	187%
NSFR	**117%**	117%	111%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

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 2020 RO' 000	Audited 31 Dec 2019 RO' 000	Unaudited 31 March 2019 RO' 000
1	Total consolidated assets as per published financial statements	**12,241,185**	12,290,608	11,979,276
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(24,392)**	(34,077)	(29,561)
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	**138,333**	102,986	87,784
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)	**1,565,382**	1,404,205	1,646,423
7	Other adjustments	**(5,187)**	(5,157)	(7,752)
8	Leverage ratio exposure	**13,915,321**	13,758,565	13,676,170

Table 2: Leverage ratio common disclosure template

		Unaudited 31 March 2020 RO' 000	Audited 31 Dec 2019 RO' 000	Unaudited 31 March 2019 RO' 000
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**12,241,185**	12,290,608	11,979,276
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**(29,579)**	(39,234)	(37,313)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	**12,211,606**	12,251,374	11,941,963
	Derivative Exposures			
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	**62,049**	25,881	20,311
5	Add-on amounts for PFE associated with all derivatives transactions	**76,283**	77,105	67,473
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)**	**138,332**	102,986	87,784
	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	**2,995,522**	2,773,589	3,333,203
18	(Adjustments for conversion to credit equivalent amounts)	**(1,430,140)**	-1,369,384	-1,686,780
19	**Off-balance sheet items (sum of lines 17 and 18)**	**1,565,382**	1,404,205	1,646,423
	Capital and total exposures			
20	Tier 1 capital	**1,830,305**	1,837,995	1,768,382
21	Total exposures (sum of lines 3, 11, 16 and 19)	**13,915,320**	13,758,565	13,676,170
	Leverage Ratio			
22	**Basel III leverage ratio (%)**	**13.2%**	13.4%	12.9%

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.*

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

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.

The Group has made additional ECL on its credit exposure of financial assets above the requirements of IFRS 9. The additional ECL is mainly on account of precautionary and collective provisions being made on a forward looking basis given the emerging stress in the economic and business conditions as a result of the impact of COVID-19 and the continued pressure on oil prices.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

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. The reserve requirement has been dispensed with effect from November 2018. However, the reserve already made in this regard will continue till the restructured accounts are upgraded.

22. CREDIT QUALITY ANALYSIS (continued)

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:

RO'000

31 March 2020	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	163,163	-	-	163,163
Due from Banks	708,539	39,093	-	747,632
Loans and advances	7,167,166	1,901,563	322,086	9,390,815
Investment Securities at FVOCI	125,922	5,611	-	131,533
Investment Securities at amortized Cost	1,251,819	-	-	1,251,819
Total funded gross exposure	9,416,609	1,946,267	322,086	11,684,962
Financial guarantee contracts	1,426,669	909,105	84,783	2,420,557
Acceptances	59,847	67,175	20	127,042
Loan Commitment/Unutilised limits	1,461,645	682,282	-	2,143,927
Total non-funded gross exposure	2,948,161	1,658,562	84,803	4,691,526
Total gross exposure	**12,364,770**	**3,604,829**	**406,889**	**16,376,488**
Impairment				
Central Bank balances		-	-	-
Due from Banks	1,047	104	-	1,151
Loans and advances	25,269	89,559	229,755	344,583
Investment Securities at FVOCI	241	1,128		1,369
Investment Securities at amortized Cost	1,027	-		1,027
Total funded impairment	27,584	90,791	229,755	348,130
Financial guarantee contracts	3,451	9,532	38,846	51,829
Acceptances	53	163	-	216
Loan Commitment/Unutilised limits	4,019	6,062	-	10,081
Total non-funded impairment	7,523	15,757	38,846	62,126
Total impairment	**35,107**	**106,548**	**268,601**	**410,256**
Net exposure				
Central Bank balances	163,163	-	-	163,163
Due from Banks	707,492	38,989	-	746,481
Loans and advances	7,141,897	1,812,004	92,331	9,046,232
Investment Securities at FVOCI	125,681	4,483	-	130,164
Investment Securities at amortized Cost	1,250,792	-	-	1,250,792
Total funded net exposure	9,389,025	1,855,476	92,331	11,336,832
Financial guarantee contracts	1,423,218	899,573	45,937	2,368,728
Acceptances	59,794	67,012	20	126,826
Loan Commitment/Unutilised limits	1,457,626	676,220	-	2,133,846
Total net non-funded exposure	2,940,638	1,642,805	45,957	4,629,400
Total net exposure	**12,329,663**	**3,498,281**	**138,288**	**15,966,232**

Stage 1: 76% 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: 22% 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

22. CREDIT QUALITY ANALYSIS (continued)

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:

RO'000

31 December 2019	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	134,179	-	-	134,179
Due from Banks	821,428	387	-	821,815
Loans and advances	7,017,732	1,876,548	298,547	9,192,827
Investment Securities at FVOCI	52,486	8,303	-	60,789
Investment Securities at amortized Cost	1,266,969	8,029	-	1,274,998
Total funded gross exposure	9,292,794	1,893,267	298,547	11,484,608
Financial guarantee contracts	1,414,473	859,937	48,547	2,322,957
Acceptances	77,457	45,984	21	123,462
Loan Commitment/Unutilised limits	1,347,493	698,640	-	2,046,133
Total non-funded gross exposure	2,839,423	1,604,561	48,568	4,492,552
Total gross exposure	**12,132,217**	**3,497,828**	**347,115**	**15,977,160**
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	751	15	-	766
Loans and advances	18,203	77,751	218,832	314,786
Investment Securities at FVOCI	140	1,171		1,311
Investment Securities at amortized Cost	267	35		302
Total funded impairment	19,361	78,972	218,832	317,165
Financial guarantee contracts	1,947	17,533	34,662	54,142
Acceptances	45	100	-	145
Loan Commitment/Unutilised limits	2,460	8,285	-	10,745
Total non-funded impairment	4,452	25,918	34,662	65,032
Total impairment	**23,813**	**104,890**	**253,494**	**382,197**
Net exposure				
Central Bank balances	134,179	-	-	134,179
Due from Banks	820,677	372	-	821,049
Loans and advances	6,999,529	1,798,797	79,715	8,878,041
Investment Securities at FVOCI	52,346	7,132	-	59,478
Investment Securities at amortized Cost	1,266,702	7,994	-	1,274,696
Total funded net exposure	9,273,433	1,814,295	79,715	11,167,443
Financial guarantee contracts	1,412,526	842,404	13,885	2,268,815
Acceptances	77,412	45,884	21	123,317
Loan Commitment/Unutilised limits	1,345,033	690,355	-	2,035,388
Total net non-funded exposure	2,834,971	1,578,643	13,906	4,427,520
Total net exposure	**12,108,404**	**3,392,938**	**93,621**	**15,594,963**

Stage 1: 75.9% 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: 21.9% 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: 2.2% of gross exposure is in Stage 3 which is credit impaired including defaulted assets and some forbearance assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

22. CREDIT QUALITY ANALYSIS (continued)

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

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

a. Impairment charge and provisions held

RO '000

As at 31 March 2020 (Unaudited)	*As per CBO norms*	*As per IFRS 9*	*Difference*
Impairment loss charged to profit and loss account (net of recoveries)*	25,734	25,734	-
Provisions required as per CBO norms / held as per IFRS 9 *	386,503	410,256	(23,753)
Gross NPL ratio **	3.43%	3.43%	-
Net NPL ratio **	0.77%	0.59%	0.18%

* 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

RO '000

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	**8,038,867**	**110,156**	**-**	**26,314**	**83,842**	**8,012,553**	**-**
	Stage 2	**1,247,200**	**12,430**	**-**	**67,769**	**(55,339)**	**1,179,431**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Sub total	**9,286,067**	**122,586**	**-**	**94,083**	**28,503**	**9,191,984**	**-**
Special Mention	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**693,456**	**12,075**	**-**	**21,976**	**(9,901)**	**671,480**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Sub total	**693,456**	**12,075**	**-**	**21,976**	**(9,901)**	**671,480**	**-**
Substandard	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**106,222**	**20,636**	**716**	**23,012**	**(1,660)**	**83,210**	**-**
	Sub total	**106,222**	**20,636**	**716**	**23,012**	**(1,660)**	**83,210**	**-**
Doubtful	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**65,749**	**27,407**	**2,087**	**38,641**	**(9,147)**	**27,108**	**-**
	Sub total	**65,749**	**27,407**	**2,087**	**38,641**	**(9,147)**	**27,108**	**-**
Loss	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**234,918**	**171,495**	**29,501**	**206,948**	**(5,952)**	**27,970**	**-**
	Sub total	**234,918**	**171,495**	**29,501**	**206,948**	**(5,952)**	**27,970**	**-**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	**4,325,903**	**-**	**-**	**8,793**	**(8,793)**	**4,317,110**	**-**
	Stage 2	**1,664,173**	**-**	**-**	**16,803**	**(16,803)**	**1,647,370**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Sub total	**5,990,076**	**-**	**-**	**25,596**	**(25,596)**	**5,964,480**	**-**
Total	Stage 1	**12,364,770**	**110,156**	**-**	**35,107**	**75,049**	**12,329,663**	**-**
	Stage 2	**3,604,829**	**24,505**	**-**	**106,548**	**(82,043)**	**3,498,281**	**-**
	Stage 3	**406,889**	**219,538**	**32,304**	**268,601**	**(16,759)**	**138,288**	**-**
	Total	**16,376,488**	**354,199**	**32,304**	**410,256**	**(23,753)**	**15,966,232**	**-**

c. *Restructured loans*

RO '000

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	**209,141**	**2,655**	**-**	**9,519**	**(6,864)**	**199,622**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Sub total	**209,141**	**2,655**	**-**	**9,519**	**(6,864)**	**199,622**	**-**
Classified as non-performing	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**92,182**	**56,199**	**5,956**	**68,107**	**(5,952)**	**24,075**	**-**
	Sub total	**92,182**	**56,199**	**5,956**	**68,107**	**(5,952)**	**24,075**	**-**
Total	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**209,141**	**2,655**	**-**	**9,519**	**(6,864)**	**199,622**	**-**
	Stage 3	**92,182**	**56,199**	**5,956**	**68,107**	**(5,952)**	**24,075**	**-**
	Total	**301,323**	**58,854**	**5,956**	**77,626**	**(12,816)**	**223,697**	**-**

22. CREDIT QUALITY ANALYSIS (continued)

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

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

a. Impairment charge and provisions held

RO '000

As at 31 December 2019 (Audited)	*As per CBO norms*	*As per IFRS 9*	*Difference*
Impairment loss charged to profit and loss account (net of recoveries)*	56,127	56,127	-
Provisions required as per CBO norms / held as per IFRS 9 *	371,216	382,197	(10,981)
Gross NPL ratio **	3.25%	3.25%	-
Net NPL ratio **	0.98%	0.89%	0.09%

* 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

RO '000

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	7,839,159	108,488	-	18,954	89,534	7,820,205	-
	Stage 2	1,166,567	12,166	-	51,252	(39,086)	1,115,315	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	9,005,726	120,654	-	70,206	50,448	8,935,520	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	710,369	12,419	-	26,515	(14,096)	683,854	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	710,369	12,419	-	26,515	(14,096)	683,854	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	50,484	12,035	361	12,396	-	38,088	-
	Sub total	50,484	12,035	361	12,396	-	38,088	-
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	67,954	28,550	1,775	39,780	(9,455)	28,174	-
	Sub total	67,954	28,550	1,775	39,780	(9,455)	28,174	-
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	228,677	168,380	27,042	201,318	(5,896)	27,359	-
	Sub total	228,677	168,380	27,042	201,318	(5,896)	27,359	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	4,293,058	-	-	4,859	(4,859)	4,288,199	-
	Stage 2	1,620,892	-	-	27,123	(27,123)	1,593,769	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	5,913,950	-	-	31,982	(31,982)	5,881,968	-
Total	Stage 1	12,132,217	108,488	-	23,813	84,675	12,108,404	-
	Stage 2	3,497,828	24,585	-	104,890	(80,305)	3,392,938	-
	Stage 3	347,115	208,965	29,178	253,494	(15,351)	93,621	-
	Total	15,977,160	342,038	29,178	382,197	(10,981)	15,594,963	-

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	197,163	2,862	-	10,281	(7,419)	186,882	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	197,163	2,862	-	10,281	(7,419)	186,882	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	91,084	56,755	5,858	62,613	-	28,471	-
	Sub total	91,084	56,755	5,858	62,613	-	28,471	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	197,163	2,862	-	10,281	(7,419)	186,882	-
	Stage 3	91,084	56,755	5,858	62,613	-	28,471	-
	Total	288,247	59,617	5,858	72,894	(7,419)	215,353	-

23. Comparative figures

No material corresponding figures for 2019 included for comparative purposes were reclassified