

National Bank of Oman SAOG

INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2020 (UNAUDITED)



PO Box 751 PC 112 Ruwi Sultanate of Oman.

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020 (unaudited)

		<i>Audited</i>
	31/03/2020	31/03/2019
	RO'000	RO'000
	<i>Notes</i>	31/12/2019
		<i>RO'000</i>
Assets		
Cash and balances with Central Banks	3	378,422
Due from banks and other money market placements (net)	4	140,991
Loans, advances and financing activities for customers (net)	5	2,866,046
Financial investments	6	317,239
Premises and equipment	7	66,134
Other assets	8	49,117
Total assets		3,817,949
Liabilities		
Due to banks and other money market deposits	9	323,197
Customers' deposits and unrestricted investment accounts	10	2,690,830
Euro medium term notes	11	192,500
Other liabilities	12	74,731
Taxation	13	8,042
Total liabilities		3,289,300
Equity		
Share capital		162,595
Share premium		34,465
Legal reserve		54,198
Other non-distributable reserves	14	(3,784)
Proposed cash dividend		-
Retained earnings		165,675
Total shareholders' equity attributable to the equity holders of the bank		413,149
Tier 1 perpetual bond	15	115,500
Total equity		528,649
Total liabilities and equity		3,817,949
Contingent liabilities and commitments	16	646,341

The interim condensed financial statements were authorised for issue on 16 May 2020 in accordance with a resolution of the Board of Directors.

Chairperson

Acting Chief Executive Officer

The attached notes 1 to 31 form part of the interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 March 2020 (unaudited)

	Notes	Three months ended 31	
		2020	2019
		RO'000	RO'000
Interest income	17	40,618	40,188
Interest expense	18	(19,279)	(17,991)
NET INTEREST INCOME		21,339	22,197
Income from Islamic financing and Investment activities		2,176	1,691
Unrestricted investment account holders' share of profit		(1,162)	(907)
NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES		1,014	784
NET INTEREST INCOME AND NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES		22,353	22,981
Other operating income	19	8,389	9,356
OPERATING INCOME		30,742	32,337
Staff costs		(9,230)	(9,707)
Other operating expenses	20	(4,721)	(4,819)
Depreciation	7	(1,594)	(1,110)
OPERATING EXPENSES		(15,545)	(15,636)
PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX		15,197	16,701
Impairment losses (net)	21	(3,616)	(1,998)
PROFIT BEFORE TAX		11,581	14,703
Taxation	13	(1,803)	(2,246)
PROFIT FOR THE PERIOD		9,778	12,457
OTHER COMPREHENSIVE EXPENSES			
Items that will not be reclassified subsequently to profit or loss			
Equity instruments at fair value through other comprehensive income- net change in fair value		(7,365)	(1,711)
Items that will be reclassified subsequently to profit or loss			
Debt instruments at fair value through other comprehensive income		(1,198)	63
Tax effect of net losses on debt instrument and equity instruments		900	-
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(7,663)	(1,648)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,115	10,809
Earnings per share :			
Basic and diluted, profit for the period attributable to equity holders		0.006	0.008

The attached notes 1 to 31 form part of the interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the period ended 31 March 2020 (unaudited)

	Notes	Three months ended	
		31 March 2020 RO'000	2019 RO'000
Profit before taxation		11,581	14,703
Adjustments for:			
Depreciation	7	1,130	1,110
Provision for credit losses (net)		5,244	4,757
Provision for credit loss Bank loans/Investments (net)		(77)	(7)
(Profit) on sale of premises and equipment		(5)	-
Loss on sale of trading investments		751	88
Dividend income		(1,443)	(1,100)
Operating profit before changes in operating assets and liabilities		17,181	19,551
Increase in due from and other money market deposits		2,893	7,666
Increase/(decrease) in due to and other money market placements		44,223	(3,824)
(Increase)/decrease in loans and advances to customers		(69,733)	26,352
Decrease in other assets		(7,528)	(5,965)
Increase in customer deposits		159,312	79,544
Increase/(decrease) in other liabilities		4,912	(4,684)
Cash from operations		151,260	118,640
Tax paid		(6,925)	(1,898)
Net cash from operating activities		144,335	116,742
Investing activities			
Purchase of investments		(33,940)	(13,362)
Proceeds from sale of investments		79	(88)
Purchase of premises and equipment	7	(692)	(675)
Disposal of premises and equipment		19	16
Translation difference in premises & equipment & Tax		(4)	(4)
Dividend income	19	1,443	1,100
Net cash used in investing activities		(33,095)	(13,013)
Financing activities			
Payment of dividend		(27,316)	(26,015)
Repayment of Subordinated debt		-	(17,000)
Net cash used in financing activities		(27,316)	(43,015)
Increase in cash and cash equivalents		83,924	60,714
Cash and cash equivalents at the beginning of the period		261,314	255,486
Cash and cash equivalents at the end of the period		345,238	316,200
Representing:			
Cash and balances with Central Bank	3	377,922	321,334
Due from Bank (maturing within 3 months)		109,613	82,558
Due to Bank (maturing within 3 months)		(142,297)	(87,692)
		345,238	316,200

* Minimum cash reserve to be maintained with Central Bank of Oman as of 31 March 2020 amounted to RO 85 million (31 March 2019: RO 76 million).

The attached notes 1 to 31 form part of the interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
As at 31 March 2020 (unaudited)
(RO'000)

	<i>Share capital</i>	<i>Share premium reserve</i>	<i>Legal reserve</i>	<i>Other non distributable reserves</i>	<i>Proposed cash dividend</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Tier 1 perpetual bond</i>	<i>Total</i>
Balance at 1 January 2020	162,595	34,465	54,198	3,621	27,316	156,155	438,350	115,500	553,850
Total comprehensive income for the period	-	-	-	(7,663)	-	9,778	2,115	-	2,115
Dividend paid during the period	-	-	-	-	(27,316)	-	(27,316)	-	(27,316)
Transfer to impairment reserve	-	-	-	258	-	(258)	-	-	-
Balance at 31 March 2020	162,595	34,465	54,198	(3,784)	-	165,675	413,149	115,500	528,649
Balance at 1 January 2019	162,595	34,465	54,198	16,541	26,015	127,176	420,990	115,500	536,490
Total comprehensive income for the period	-	-	-	(1,648)	-	12,457	10,809	-	10,809
Dividend paid during the period	-	-	-	-	(26,015)	-	(26,015)	-	(26,015)
Transfer to retained earnings	-	-	-	(17,000)	-	17,000	-	-	-
Balance at 31 March 2019	162,595	34,465	54,198	(2,107)	-	156,633	405,784	115,500	521,284
Balance at 1 April 2019	162,595	34,465	54,198	(2,107)	-	156,633	405,784	115,500	521,284
Total comprehensive income for the period	-	-	-	667	-	38,974	39,641	-	39,641
Payment of tier 1 perpetual bond	-	-	-	-	-	(9,096)	(9,096)	-	(9,096)
Reversal of WHT on tier 1 perpetual bond	-	-	-	-	-	2,021	2,021	-	2,021
Transfer to impairment reserve	-	-	-	5,061	-	(5,061)	-	-	-
Proposed dividend	-	-	-	-	27,316	(27,316)	-	-	-
Balance at 31 December 2019	162,595	34,465	54,198	3,621	27,316	156,155	438,350	115,500	553,850

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

The attached notes 1 to 31 form part of the interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2020 (unaudited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

National Bank of Oman SAOG ("NBO", "the bank") was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail, wholesale, investment and Islamic banking services within the Sultanate of Oman and overseas branches in the United Arab Emirates and Egypt. In Oman the bank operates under banking license issued by the Central Bank of Oman and is covered by its deposit insurance scheme, whereas in the United Arab Emirates and in Egypt the branches operate under a commercial bank licences given by the respective Central Banks. The bank is in the process of closing down its operations in Egypt and it is expected that the closure process will be completed during the year 2020. The bank is head quartered in Muscat and it's registered address is PO Box 751, Ruwi, Postal Code 112, Muscat, Sultanate of Oman. The bank has a primary listing on the Muscat Stock Exchange. Its bonds and AT1 capital instruments are listed in the Irish Stock exchange.

The bank employed 1,586 employees as of 31 March 2020 (31 March 2019 – 1,549 employees / 31 December 2019 - 1,593).

2 SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements of the bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and the relevant disclosure requirements of the Capital Market Authority ("CMA"). The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019, results of the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The condensed interim 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 three months ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The condensed interim financial statements are prepared in Rial Omani, rounded to the nearest thousands, except as indicated. The functional currencies of the bank's operations are as follows:

Sultanate of Oman:	Rial Omani
United Arab Emirates:	UAE Dirham
Egypt:	US Dollar

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

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates (refer note 31).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2020 (unaudited)

3 CASH AND BALANCES WITH CENTRAL BANKS

	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Cash	51,322	48,209	43,863
Treasury bills	15,000	156	2,000
Certificate of Deposit with Central Banks	6,813	7,861	5,241
Other balances with Central Banks	304,787	265,108	282,168
Cash and cash equivalents	377,922	321,334	333,272
Capital deposit with Central Bank of Oman	500	500	500
Cash and balances with Central Banks	378,422	321,834	333,772

- (i) At 31 March 2020, cash and balances with Central Bank of Oman included balances amounting to RO 500,000 (31 March 2019: RO 500,000) as capital deposit. This deposit cannot be withdrawn without the Central Bank of Oman approval.
- (ii) Minimum cash reserve to be maintained with Central Bank of Oman as of 31 March 2020 is 3% of total deposits and for Central bank of UAE, is 1% of time deposits and 14% of all other deposits.
- (iii) ECL on the cash and balances with Central Banks is not material and accordingly no adjustment has been accounted by the Bank.

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

	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Loans and advances to banks	27,874	12,897	25,371
Placements with bank	63,987	59,829	46,145
Demand balances	49,555	26,804	38,331
Due from banks and other money market placement	141,416	99,530	109,847
Less: allowance for credit losses	(425)	(365)	(471)
Net due from banks and other money market placement	140,991	99,165	109,376

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

	<i>3 months</i>	<i>3 months</i>	<i>12 months</i>
	<i>Ended</i>	<i>ended</i>	<i>ended</i>
	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Balance at beginning of period / year	471	379	379
(Released)/provided during the period / year	(46)	(14)	92
Balance at end of period / year	425	365	471

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2020 (unaudited)

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

	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Overdrafts	96,648	90,816	107,387
Personal loans	1,361,181	1,398,489	1,362,833
Other loans	1,529,919	1,421,323	1,449,626
Gross loans, advances and financing activities for customers	2,987,748	2,910,628	2,919,846
Less: allowance for credit losses	(121,702)	(132,030)	(118,289)
Net loans and advances	2,866,046	2,778,598	2,801,557

Gross loans, advances and financing activities for customers include RO 137 million due from related parties at 31 March 2020 (31 March 2019 – RO 127 million, 31 December 2019 – RO 140 million).

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

Movement in the provision for impairment of funded loans and advances

	<i>3 months ended</i>	<i>3 months ended</i>	<i>12 months ended</i>
	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Balance at beginning of period / year	118,289	130,378	130,378
Provided during the period / year	4,931	5,117	18,083
Interest reserved during the period / year	1,392	2,533	7,646
Recovered/ released during the period / year	(1,220)	(1,483)	(3,303)
Written off during the period / year	(1,690)	(4,515)	(34,532)
Translation difference	-	-	17
Balance at end of period / year	121,702	132,030	118,289

Recovered/released during the period includes recovery of reserved interest for 31 March 2020 at RO 152 thousands (31 March 2019 – RO 468 thousands and 31 December 2019 – RO 1.6 million).

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

As of 31 March 2019 loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 141 million (31 March 2019 – RO 141 million and 31 December 2019 – RO 144 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2020 (unaudited)

6 FINANCIAL INVESTMENTS

	Carrying value 31/03/2020 RO'000	Carrying value 31/03/2019 RO'000	Carrying value 31/12/2019 RO'000
Investment measured at FVPL			
Quoted investments- Oman			
Banking and investment sector	4,358	4,774	4,660
	4,358	4,774	4,660
Quoted investments- Foreign			
Banking and investment sector	341	414	392
	341	414	392
Unquoted investments			
Banking and investment sector	2,139	2,148	2,522
Service sector	-	266	-
	2,139	2,414	2,522
Total FVPL	6,838	7,602	7,574
Investment measured at FVOCI			
Quoted investments- Oman			
Manufacturing sector	1,284	1,893	1,273
Service sector	11,083	18,053	11,295
	12,367	19,946	12,568
Quoted investments- Foreign			
Banking and investment sector	16,971	7,131	19,734
	16,971	7,131	19,734
Unquoted investments			
Banking and investment sector	295	295	295
Service sector	47	36	36
	342	331	331
Total FVOCI – Equity instruments	29,680	27,408	32,633
Debt instruments measured at FVOCI			
Quoted investments- Oman			
Government Development Bonds	2,768	3,609	3,969
Banking and investment sector	610	-	680
Total FVOCI – Debt instruments	3,378	3,609	4,649
Total FVOCI	33,058	31,017	37,282

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2020 (unaudited)

6 FINANCIAL INVESTMENTS (continued)

Investment measured at amortised cost	Carrying value	Carrying value	Carrying value
Quoted investments- Oman	31/03/2020	31/03/2019	31/12/2019
	RO'000	RO'000	RO'000
Government Development Bonds	246,846	177,355	217,204
Government Sukuk	10,479	3,000	10,476
Banking and investment sector	550	4,343	550
Manufacturing sector	5,775	5,775	5,775
Service sector	9,348	9,344	9,348
	272,998	199,817	243,353
Quoted investments- Foreign			
Government Development Bonds	4,821	4,927	4,847
	4,821	4,927	4,847
Total amortised cost	277,819	204,744	248,200
Less: impairment	(476)	(599)	(507)
TOTAL FINANCIAL INVESTMENTS	317,239	242,764	292,549

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

	3 months ended	3 months ended	12 months ended
	31/03/2020	31/03/2019	31/12/2019
	RO'000	RO'000	RO'000
Balance at the beginning of the period/year	507	591	591
(Released)/Provided during the year	(31)	8	(84)
Balance at the end of the period/year	476	599	507

Details of significant investments

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

	Bank's portfolio %	Carrying value RO'000
31 March 2020		
Government Development Bonds and sukuks	81.9%	260,094
31 March 2019		
Government Development Bonds and sukuks	77.8%	188,891
31 December 2019		
Government Development Bonds and sukuks	79.0%	231,651

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2020 (unaudited)

7 PREMISES AND EQUIPMENT

	<i>Freehold land and buildings and leasehold improvements RO'000</i>	<i>Motor vehicles, furniture and equipment RO'000</i>	<i>Capital work in progress RO'000</i>	<i>Right to use assets RO'000</i>	<i>Total RO'000</i>
Reconciliation of carrying amount:					
Balance as at 1 January 2020, net of accumulated depreciation	48,562	13,709	1,017	3,406	66,694
Opening balance adjustment	-	-	-	(927)	(927)
Additions	-	119	573	1,279	1,971
Disposals	-	(4)	(9)	-	(13)
Transfers	230	183	(413)	-	-
Translation difference	3	-	-	-	3
Depreciation	(353)	(777)	-	(464)	(1,594)
Balance at 31 March 2020, net of	48,442	13,230	1,168	3,294	66,134
At cost	65,461	45,069	1,168	6,197	117,895
Accumulated depreciation	(17,019)	(31,839)	-	(2,903)	(50,822)
Net carrying value at 31 March 2020	48,442	13,230	1,168	3,294	66,134

Reconciliation of carrying amount:

Balance as at 1 January 2019, net of accumulated depreciation	50,054	12,040	2,266	-	64,360
Additions	9	142	524	-	675
Disposals	-	(16)	-	-	(16)
Transfers	-	796	(796)	-	-
Translation difference	4	-	-	-	4
Depreciation	(454)	(656)	-	-	(1,110)
Balance at 31 March 2019, net of	49,613	12,306	1,994	-	63,913
At cost	65,846	41,803	1,994	-	109,643
Accumulated depreciation	(16,233)	(29,497)	-	-	(45,730)
Net carrying value at 31 March 2019	49,613	12,306	1,994	-	63,913
Net carrying value at 31 December 2019	48,562	13,709	1,017	3,406	66,694

Set out below are the carrying amount of lease liabilities (included under other liabilities and the movement during the period. The initial application of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of RO 3.4 million as at 1 January 2019.

Particular	31/03/2020 RO'000	31/03/2019 RO'000	31/12/2019 RO'000
Balance at beginning of period/year	2,793	-	-
Impact of adopting IFRS 16	-	-	3,406
Restated opening balance under IFRS 16	2,793	-	3,406
Payments during period/year	(495)	-	(613)
Balance at end of period/year	2,298	-	2,793

8 OTHER ASSETS

	31/03/2020 RO'000	31/03/2019 RO'000	31/12/2019 RO'000
Interest receivable and others	22,240	30,112	23,195
Positive fair value of derivatives (note 29)	6,387	1,117	2,644
Customers' indebtedness for acceptances (note 12)	19,977	29,036	14,907
Deferred tax (note 13)	513	287	-
Total	49,117	60,552	40,746

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2020 (unaudited)

9 DUE TO BANKS AND OTHER MONEY MARKET DEPOSITS

	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Borrowings	319,757	102,942	280,280
Other balances	3,440	4,001	3,506
Due to banks and other money market deposits	323,197	106,943	283,786

Borrowings include RO 75.3 million borrowed under repurchased agreements.

10 CUSTOMERS' DEPOSITS AND UNRESTRICTED INVESTMENT ACCOUNTS

	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Current accounts	1,050,370	958,038	879,011
Savings accounts	599,494	584,980	599,098
Term deposits	1,040,966	988,908	1,053,409
	2,690,830	2,531,926	2,531,518

11 EURO MEDIUM TERM NOTES

The bank has established Euro medium term programme for USD 1,500 million. These Bonds are listed in the Irish Stock Exchange.

As at year-end, the bank had the following issuances:

	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Issuance made in year 2018 maturing in 2023	192,500	307,920	192,500

The carrying amount of EMTN was stated after taking into account the amount of MTM value of the fair value hedge (note 29), as applicable.

12 OTHER LIABILITIES

	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Interest payable and other accruals	41,044	49,918	44,367
Lease commitment (IFRS 16)	2,298	-	2,793
Allowances for credit losses for loan Commitments and Financial Guarantees	6,339	8,863	6,026
Negative fair value of derivatives (note 29)	5,073	624	1,394
Liabilities under acceptances (note 8)	19,977	29,036	14,907
Deferred tax liability (note 13)	-	-	332
	74,731	88,441	69,819

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

	<i>3 months</i>	<i>3 months</i>	<i>12 months</i>
	<i>Ended</i>	<i>ended</i>	<i>ended</i>
	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Balance at beginning of period / year	6,026	9,223	9,223
Provided/(released) during the period / year	313	(360)	(3,197)
Balance at end of period / year	6,339	8,863	6,026

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2020 (unaudited)

13 TAXATION

	31/03/2020	31/03/2019	31/12/2019
	RO'000	RO'000	RO'000
Statement of comprehensive income			
Current period/year	1,746	1,799	4,783
Deferred tax adjustment	57	447	740
	1,803	2,246	5,523

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

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

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

	31/03/2020	31/03/2019	31/12/2019
	RO'000	RO'000	RO'000
Accounting profit	11,761	14,703	56,954
Tax at applicable rate	1,737	2,205	8,543
Non-deductible expenses	113	183	705
Tax exempt revenues	(117)	(443)	(497)
Tax allowed relater to previous years	-	-	(3,563)
Others	13	(146)	(405)
	1,746	1,799	4,783

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

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

	31/03/2020	31/03/2019	31/12/2019
	RO'000	RO'000	RO'000
Tax liability			
Income tax and other taxes – Current period/year	1,746	1,799	4,783
Income tax and other taxes – Prior years	6,296	8,513	8,438
	8,042	10,312	13,221

	31/03/2020	31/03/2019	31/12/2019
	RO'000	RO'000	RO'000
Recognised deferred tax assets (note 8)			
Deferred tax assets are attributable to the following:			
Provisions	(45)	303	10
FVOCI	558	(16)	(342)
	513	287	(332)

Deferred tax is calculated at 15% (2019 – 15%).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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13 TAXATION (continued)

Movement of deferred tax asset/ (liability)

	31/03/2020	31/03/2019	31/12/2019
	RO'000	RO'000	RO'000
Balance at the beginning of the year	(331)	734	734
Created during the year	(56)	(447)	(740)
Tax effect of movement in FVOCI investments	900	-	(326)
	513	287	(332)

14 OTHER NON-DISTRIBUTABLE RESERVES

	<i>Fair value reserve</i>	<i>Revaluation reserve</i>	<i>Impairment reserve</i>	<i>Total</i>
	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>
At 1 January 2020	(5,825)	4,385	5,061	3,621
Net movement on FVOCI	(8,563)	-	-	(8,563)
Tax effect of net results on FVOCI	900	-	-	900
Transfer from retain earnings	-	-	258	258
At 31 March 2020	(13,488)	4,385	5,319	(3,784)
At 31 March 2019	(6,492)	4,385	-	(2,107)
At 31 December 2019	(5,825)	4,385	5,061	3,621

- (i) The revaluation reserve represents the surplus on revaluation of building and is not available for distribution until the related assets have been disposed off or used.
- (ii) The Impairment reserve represents in accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

15 TIER 1 PERPETUAL BOND

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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16 CONTINGENT LIABILITIES AND COMMITMENTS

	31/03/2020	31/03/2019	31/12/2019
	RO'000	RO'000	RO'000
Guarantees	347,310	400,488	347,599
Documentary letters of credit	74,600	98,641	128,168
Undrawn commitment to lend	214,587	182,502	301,952
	636,497	681,631	777,719

(i) The allowances for credit losses for commitments and financial guarantees amounts to RO 6.3 million (31 March 2019 – RO 8.9 million and 31 December 2019 – RO 6.0 million) and is included under note 12.

(ii) Contingent liabilities include RO 6.4 million (31 March 2019 – RO 1.6 million and 31 December 2019 – RO 6.9 million) relating to non-performing loans.

17 INTEREST INCOME

	3 months ended	3 months ended
	31/03/2020	31/03/2019
Interest from customers	36,143	36,465
Interest from banks	1,069	1,325
Investments	3,406	2,398
	40,618	40,188

18 INTEREST EXPENSE

	3 months ended	3 months ended
	31/03/2020	31/03/2019
Interest to customers	13,393	11,745
Interest to banks	3,055	2,407
Euro medium term notes	2,831	3,839
	19,279	17,991

19 OTHER OPERATING INCOME

	3 months ended	3 months ended
	31/03/2020	31/03/2019
	RO'000	RO'000
Net gains from foreign exchange dealings	2,128	1,662
Net fees and commissions	3,946	5,016
Loss on trading investments	(751)	(88)
Dividend income	1,443	1,100
Service charges	1,290	1,350
Miscellaneous income	333	316
	8,389	9,356

20 OTHER OPERATING EXPENSES

	3 Months ended	3 Months ended
	31/03/2020	31/03/2019
	RO'000	RO'000
Establishment costs	1,108	1,488
Operating and administration expenses	3,541	3,277
Directors remuneration and sitting fees	72	54
	4,721	4,819

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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21 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

21.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 March 2020:

Impairment charge and provision held as of 31 March 2020

Amounts in RO'000

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	3,947	NA
Provisions required as per CBO norms/ held as per IFRS 9	133,619	128,942	(4,677)
Gross non-performing loan ratio (percentage)	-	4.94	4.94
Net non-performing loan ratio (percentage)	-	4.52	4.52

Mapping of IFRS 9 and CBO norms

Amounts in RO'000

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Standard	Stage 1	2,388,661	33,077	11,328	21,749	2,377,332	-
	Stage 2	386,821	3,887	10,342	(6,455)	376,478	-
	Stage 3	-	-	-	-	-	-
	Subtotal	2,775,481	36,964	21,670	15,293	2,753,811	-
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	71,551	770	6,193	(5,423)	65,359	-
	Stage 3	-	-	-	-	-	-
	Subtotal	71,551	770	6,193	(5,423)	65,359	-
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	8,832	2,166	3,579	(1,245)	5,253	168
	Subtotal	8,832	2,166	3,579	(1,245)	5,253	168
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	35,878	13,188	17,136	(3,059)	18,742	888
	Subtotal	35,878	13,188	17,136	(3,059)	18,742	888
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	96,005	67,812	73,124	6,351	22,882	11,663
	Subtotal	96,005	67,812	73,124	6,351	22,882	11,663
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	670,412	-	1,965	(1,965)	668,447	-
	Stage 2	154,162	-	5,275	(5,275)	148,887	-
	Stage 3	-	-	-	-	-	-
	Subtotal	824,574	-	7,240	(7,240)	817,334	-
Total	Stage 1	3,059,072	33,077	13,293	19,784	3,045,780	-
	Stage 2	612,534	4,657	21,811	(17,154)	590,724	-
	Stage 3	140,715	83,166	93,838	2,047	46,877	12,719
	Total	3,812,321	120,900	128,942	4,677	3,683,380	12,719

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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21 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

Impairment charge and provision held as of 31 March 2019

Amounts in RO'000

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

Mapping of IFRS 9 and CBO norms

Amounts in RO'000

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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21 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

21.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 March 2020:

Restructured loans

Amounts in RO'000

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Classified as performing	Stage 1	13,179	236	91	145	13,088	
	Stage 2	36,353	524	2,906	(2,382)	33,447	
	Stage 3				-	-	
Subtotal		49,532	760	2,997	(2,237)	46,535	-
Classified as non-performing	Stage 1				-	-	
	Stage 2				-	-	
	Stage 3	35,769	15,975	15,537	2,382	20,232	1,944
Sub total		35,769	15,975	15,537	2,382	20,232	1,944
Total	Stage 1	13,179	236	91	145	13,088	-
	Stage 2	36,353	524	2,906	(2,382)	33,447	-
	Stage 3	35,769	15,975	15,537	2,382	20,232	1,944
	Total	85,301	16,735	18,534	145	66,767	1,944

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

Restructured loans

Amounts in RO'000

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2020 (unaudited)

21 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

21.3 Movement in Expected credit losses (ECL) as at 31 March 2020

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>RO' 000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Exposure subject to ECL				
- Loans and Advances to Customers	2,388,661	458,372	140,715	2,987,748
- Investment Securities (Debt)	317,715			317,715
- Loan Commitments and Financial Guarantees	492,179	154,162		646,341
- Due from Banks, Central Banks and Other Financial Assets	141,416			141,416
	3,339,971	612,534	140,715	4,093,220
Opening Balance - as at 1 January 2020				
- Loans and Advances to Customers	12,395	17,445	88,449	118,289
- Investment Securities (Debt)	507			507
- Loan Commitments and Financial Guarantees	1,114	4,912		6,026
- Due from Banks, Central Banks and Other Financial Assets	471			471
	14,487	22,357	88,449	125,293
Net transfer between stages				
- Loans and Advances to Customers	1,013	(1,229)	216	-
- Investment Securities (Debt)				-
- Loan Commitments and Financial Guarantees	3	(3)		-
- Due from Banks, Central Banks and Other Financial Assets				-
	1,016	(1,232)	216	-
Charge for the Period (net)				
- Loans and Advances to Customers	(2,080)	320	6,863	5,103
- Investment Securities (Debt)	(31)	-	-	(31)
- Loan Commitments and Financial Guarantees	(53)	366	-	313
- Due from Banks, Central Banks and Other Financial Assets	(46)	-	-	(46)
	(2,210)	686	6,863	5,339
Write off for the period				
- Loans and Advances to Customers	-	-	(1,690)	(1,690)
	-	-	(1,690)	(1,690)
Closing Balance - as at 31 March 2020				
- Loans and Advances to Customers	11,328	16,536	93,838	121,702
- Investment Securities (Debt)	476	-	-	476
- Loan Commitments and Financial Guarantees	1,064	5,275	-	6,339
- Due from Banks, Central Banks and Other Financial Assets	425	-	-	425
	13,293	21,811	93,838	128,942

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2020 (unaudited)

21 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

21.3 Movement in Expected credit losses (ECL) as at 31 March 2019

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2020 (unaudited)

21 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

21.4 Movement in impairment credit losses for the period ended 31 March 2020

	3 months ended 31/03/2020 RO'000	3 months ended 31/03/2019 RO'000
(Impairment)/reversal of impairment for credit losses:		
Due from Banks	46	14
Loans and advances to customers	(4,931)	(5,117)
Investments	31	(7)
Financial guarantees	(313)	360
Total	(5,167)	(4,750)
Recoveries and releases from provision for credit losses	1,220	1,483
Recoveries and releases from loans and advances written off	331	1,269
Total	1,551	2,752
Net Impairment losses	(3,616)	(1,998)

22 BASIC AND DILUTED EARNINGS PER SHARE

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

	Three months ended 31 March	
	2020 RO'000	2019 RO'000
Profit after tax (RO'000s)	9,778	12,457
Weighted average number of shares outstanding during the year (in '000s)	1,625,950	1,625,950
Earnings per share (RO)	0.006	0.008

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

23 ASSET LIABILITY MISMATCH

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

	Assets RO'000	Equity, subordinated funds and liabilities RO'000	Mismatch RO'000
Maturities as at 31 March 2020			
0 - 3 month	903,108	932,530	(29,422)
3 - 12 month	363,656	901,481	(537,825)
1 - 5 years	750,200	908,661	(158,461)
More than 5 years	1,801,285	1,075,457	725,708
Total	3,817,949	3,817,949	-
Maturities as at 31 March 2019			
0 - 3 month	908,855	849,613	59,242
3 - 12 month	285,537	915,223	(629,686)
1 - 5 years	673,676	784,526	(110,850)
More than 5 years	1,698,758	1,017,464	681,294
Total	3,566,826	3,566,826	-
Maturities as at 31 December 2019			
0 - 3 month	795,496	777,693	17,803
3 - 12 month	321,653	838,094	(516,441)
1 - 5 years	802,605	979,048	(176,443)
More than 5 years	1,724,940	1,049,859	675,081
Total	3,644,694	3,644,694	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2020 (unaudited)

24 RELATED PARTY TRANSACTIONS

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

	31/03/2020			31/12/2019		
	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000
Loans and advances	-	136,567	136,567	-	139,556	139,556
Customers' deposits	56,271	53,500	109,771	55,522	61,529	117,051
Due from banks	163	9,625	9,788	258	9,625	9,883
Due to banks	203	-	203	358	-	358
Letters of credit, guarantees and acceptances	865	34,447	35,312	854	37,113	37,967
Standby revolving credit facility	77,000	-	77,000	77,000	-	77,000
Investments	1,786	-	1,786	2,124	-	2,124

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

	31/03/2020			31/03/2019		
	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000
Interest income	15	1,800	1,815	8	1,637	1,645
Commission income	-	58	58	1	565	566
Interest expense	1292	424	1,716	613	270	883
Other expenses	-	114	114	-	82	82
Senior management compensation:				3 months ended		3 months ended
Salaries and other short term benefits				31/03/2020		31/03/2019
- Fixed				RO'000		RO'000
- Discretionary				742		682
				1,016		1,198
				1,758		1,880

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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25 SHAREHOLDERS

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

	<i>Number of shares '000</i>	<i>% Holding</i>
The Commercial Bank of Qatar	567,453	34.90%
Suhail Bahwan Group (Holdings) LLC	239,734	14.74%
Civil Service Employees Pension Fund	184,113	11.32%

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

26 CAPITAL ADEQUACY

The risk asset ratio calculated in accordance with the capital adequacy guidelines of the bank for International Settlement is as follows:

	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Capital base			
Common equity Tier 1	393,764	388,008	399,336
Additional Tier 1 - capital	115,500	115,500	115,500
Tier 2 capital	23,070	36,346	29,072
Total capital base	532,334	539,854	543,908
Risk weighted assets			
Credit risk	3,037,843	3,022,139	2,988,435
Operational risk	243,431	248,285	243,431
Market risk	95,312	68,184	47,698
Total risk weighted assets	3,376,586	3,338,608	3,279,564
Common Equity Tier 1 Ratio	11.7%	11.6%	12.2%
Tier 1 Ratio	15.1%	15.1%	15.7%
Risk asset ratio (Basel II norms)	15.8%	16.2%	16.6%

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27 SEGMENT REPORTING

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

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

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

Segment information by business line is as follows:

	<i>Retail banking</i> RO'000	<i>Wholesale banking</i> RO'000	<i>Commercial banking</i> RO'000	<i>Funding center</i> RO'000	<i>Total</i> RO'000
31 March 2020					
Operating income/(loss)	14,739	14,331	3,662	(1,991)	30,741
Net profit/(loss)	2,625	10,898	(70)	(3,675)	9,778
Total assets	1,281,449	1,633,045	392,638	510,818	3,817,949
31 March 2019					
Operating income/(loss)	15,602	14,364	3,877	(1,506)	32,337
Net profit/(loss)	6,831	11,685	(2,499)	(3,560)	12,457
Total assets	1,308,681	1,284,975	380,259	592,911	3,566,826

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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27 SEGMENT REPORTING (continued)

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

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

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

	<i>Oman</i>	<i>UAE</i>	<i>Egypt</i>	<i>Total</i>
For the period ended 31 March 2020	RO'000	RO'000	RO'000	RO'000
Interest income and Income from Islamic financing and Investment activities	21,732	535	86	22,353
Other operating income	7,753	622	14	8,389
Operating income	29,485	1,157	100	30,742
Operating expenses	(14,702)	(757)	(86)	(15,545)
Operating profit	14,783	400	14	15,197
Impairment losses (net) and taxation	(4,132)	(1,281)	(6)	(5,419)
Segment profit for the period	10,651	(881)	8	9,778
Other information				
Segment assets	3,688,140	110,780	19,029	3,817,949
Segment capital expenses	662	30	-	692

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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28 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Valuation models

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

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

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

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

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
31 March 2020			
Investment measured at FVTPL			
Quoted equities	4,699	-	4,699
Unquoted equities	-	2,139	2,139
Total	4,699	2,139	6,838
Investment measured at FVOCI			
Quoted equities	32,716	-	32,716
Unquoted equities	-	342	342
Total	32,716	342	33,058
TOTAL FINANCIAL INVESTMENTS	37,415	2,481	39,896
31 March 2019			
Investment measured at FVTPL			
Quoted equities	5,188	-	5,188
Unquoted equities	-	2,414	2,414
Total	5,188	2,414	7,602
Investment measured at FVOCI			
Quoted equities	30,686	-	30,686
Unquoted equities	-	331	331
Total	30,686	331	31,017
Total financial assets	35,874	2,745	38,619
31 December 2019			
Investment measured at FVTPL			
Quoted equities	5,052	-	5,052
Unquoted equities	-	2,522	2,522
Total	5,052	2,522	7,574
Investment measured at FVOCI			
Quoted equities	36,951	-	36,951
Unquoted equities	-	331	331
Total	36,951	331	37,282
Total financial assets	42,003	2,853	44,856

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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28 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Derivative financial instrument at level 2 are valued based on counter party valuation, quoted forward rates and yield curves (see note 29).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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29 DERIVATIVES

	Positive fair value (Note 8) RO'000	Negative fair value (Note 12) RO'000	Notional amount total RO'000	Notional amounts by term to maturity		
				Notional amounts by term to maturity		
				Within 3 months RO'000	3 – 12 months RO'000	Above 1 Year RO'000
<i>Derivatives as at 31 March 2020</i>						
Interest rate swaps	4,133	(4,133)	190,341	12,341	43,028	134,972
Forward foreign exchange purchase contracts	9	(697)	200,322	98,002	30,509	71,811
Forward foreign exchange sales contracts	2,245	(243)	200,322	96,182	30,155	73,985
Total	6,387	(5,073)	590,985	206,525	103,692	280,768

Derivatives as at 31 March 2019

Fair value hedge	-	(80)	115,500	-	115,500	-
Interest rate swaps	335	(335)	37,354	6,998	12,280	18,076
Forward purchase contracts	45	(152)	174,167	116,029	50,152	7,986
Forward sales contracts	737	(57)	174,167	115,706	49,885	8,576
Total	1,117	(624)	501,188	238,733	227,817	34,638

Derivatives as at 31 December 2019

Interest rate swaps	1,179	(1,179)	131,301	13,132	55,181	62,988
Forward purchase contracts	372	(3)	242,030	57,789	53,092	131,149
Forward sales contracts	1,093	(212)	242,030	57,531	52,124	132,375
Total	2,644	(1,394)	615,361	128,452	160,397	326,512

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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30 LIQUIDITY COVERAGE RATIO

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

	March 2020		March 2019	
	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000
High quality liquid assets				
Total High Quality Liquid Assets (HQLA)	-	537,627	-	479,987
Cash outflows				
Stable deposits	615,950	30,798	598,708	29,935
Less stable deposits	120,416	12,042	120,122	12,012
Retail deposits and deposits from small business customers	736,366	42,840	718,830	41,947
Unsecured wholesale funding, of which:				
Operational deposits (all counterparties) and deposits in networks of cooperative banks	958,557	349,944	928,904	335,366
Additional requirements, of which				
Credit and liquidity facilities	91,405	9,141	25,121	2,512
Other contingent funding obligations	447,042	33,568	525,677	36,609
Total cash outflows		435,493		416,435
Cash inflows				
Inflows from fully performing exposures	314,691	244,973	279,379	198,935
Other cash inflows	11,512	11,512	8,546	8,546
Total cash inflows	326,203	256,485	287,925	207,481
Total high quality liquid assets		537,307		479,987
Total net cash outflows		179,008		208,954
Liquidity coverage ratio (%)		300.16		229.71

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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31 ESTIMATES AND JUDGMENTS

IMPACT OF COVID-19

The coronavirus (“COVID-19”) pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In addition, NBO’s operations are partially concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. NBO is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The uncertainties caused by COVID-19, and the volatility in oil prices have required to update the inputs and assumptions used for the determination of expected credit losses (“ECLs”) as at 31 March 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

NBO also updated the relevant forward-looking information of the Bank’s international operations with respect to the weightings of the relevant macroeconomic scenarios relative to the economic climate of the respective market in which it operates.

NBO has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors.

NBO has considered potential impacts of the current economic volatility in determination of the reported amounts of the financial and non-financial assets and these are considered to represent management’s best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Bank has performed an assessment of oil prices volatility and COVID-19 in line with the available guidance of the Central Bank of Oman (‘CBO’) and IFRS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgments as at and for the period ended 31 March 2020:

a) Expected Credit Loss (ECL)

For the reporting period end 31 March 2020, the Bank has updated inputs and assumptions used for the determination of expected credit losses (“ECLs”) in response to uncertainties caused by COVID 19 and oil prices volatility. ECLs were estimated based on a range of forecast economic conditions as at that date. Considering that the situation is fast evolving, the Bank has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The Bank has decided to take a weighted average of three macro economic scenarios for the purpose of estimating expected credit loss.

-Macro-economic forecast as per our existing model.

-Macro-economic forecast based on the revised GDP growth forecast by IMF for the years 2020, 2021 and 2022 (SCENARIO 1)

-Macro-economic forecast by further stressing the GDP growth based on Brent oil price at \$35 per barrel (SCENARIO 2)

The assumptions include: oil prices will range bound between \$ 35 and\$ 77/bbl ; real GDP growth between -2.8% to 7.2% and real interest rates between 8.3% and 29.8% over the next 4 years. The aforementioned values of macro-economic factors have been derived by applying equal weightings of the three scenarios, respectively. As the COVID-19 situation continues to evolve, these estimates may be reassessed and adjusted in future as impacts on specific sectors become more certain.

In addition to the assumptions outlined above, the Bank continues to closely monitor the potential repayment risk impact of COVID-19 on affected industry sectors.

b) Accounting for modified financing assets

The Company has allowed delayed repayments of certain SME customers for a period of six months in line with the CBO circular issued on __March 2020, in which local banks in Sultanate of Oman have been encouraged to delay loan repayments for affected sectors. The modification loss on these loans were not considered material for the period