

National Bank of Oman SAOG

INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2019 (UNAUDITED)



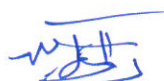
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SR.NO	INDEX	PAGE NO
1	CHAIRMAN'S REPORT	1
2	INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION	2
3	INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME	3
4	INTERIM CONDENSED STATEMENT OF CASH FLOWS	4
5	INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY	5
6	NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS	6-28

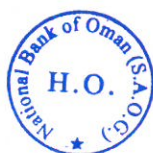
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019 (unaudited)

		30/09/2019	30/09/2018	Audited 31/12/2018
	Notes	RO'000	RO'000	RO'000
Assets				
Cash and balances with Central Banks	3	220,217	295,140	315,055
Due from banks and other money market placements (net)	4	196,267	182,055	98,064
Loans, advances and financing activities for customers(net)	5	2,774,595	2,634,736	2,809,707
Financial investments	6	300,204	238,064	231,149
Premises and equipment	7	66,648	64,932	64,360
Other assets	8	45,833	52,621	54,587
Total assets		3,603,764	3,467,548	3,572,922
Liabilities				
Due to banks and other money market deposits		137,179	12,224	155,949
Customers' deposits and unrestricted investment accounts	9	2,519,411	2,500,566	2,452,382
Euro medium term notes	10	308,443	307,461	307,148
Other liabilities	11	79,021	84,806	93,534
Taxation	12	14,608	7,621	10,419
Subordinated debt	13	-	25,000	17,000
Total liabilities		3,058,662	2,937,678	3,036,432
Equity				
Share capital		162,595	162,595	162,595
Share premium		34,465	34,465	34,465
Legal reserve		54,198	51,617	54,198
Other non-distributable reserves	14	(1,594)	22,024	16,541
Proposed cash dividend		-	-	26,015
Retained earnings		179,938	143,669	127,176
Total shareholders' equity attributable to the equity holders of the bank		429,602	414,370	420,990
Tier 1 perpetual bond	15	115,500	115,500	115,500
Total equity		545,102	529,870	536,490
Total liabilities and equity		3,603,764	3,467,548	3,572,922
Contingent liabilities and commitments	16	651,089	662,431	589,320

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



Chairperson




Acting Chief Executive Officer

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 September 2019 (Un-audited)

	Notes	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
		<i>2019 RO'000</i>	<i>2018 RO'000</i>	<i>2019 RO'000</i>	<i>2018 RO'000</i>
Interest income	17	122,886	113,491	41,878	37,990
Interest expense	18	(53,444)	(45,112)	(17,103)	(15,994)
NET INTEREST INCOME		69,442	68,379	24,775	21,996
Income from Islamic financing and Investment activities		5,540	4,343	2,063	1,514
Unrestricted investment account holders' share of profit		(3,013)	(2,594)	(1,138)	(934)
NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES		2,527	1,749	925	580
NET INTEREST INCOME AND NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES		71,969	70,128	25,700	22,576
Other operating income	19	25,743	25,045	7,664	9,039
OPERATING INCOME		97,712	95,173	33,364	31,615
Staff costs		(28,504)	(27,625)	(10,052)	(9,283)
Other operating expenses	20	(14,584)	(14,363)	(5,033)	(4,729)
Depreciation	7	(3,397)	(3,311)	(1,152)	(1,077)
OPERATING EXPENSES		(46,485)	(45,299)	(16,237)	(15,089)
PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX		51,227	49,874	17,127	16,526
Credit loss expense – customer loans	5	(11,834)	(12,092)	(3,537)	(4,184)
Recoveries and releases from provision for credit losses		2,715	1,908	783	787
Recoveries and releases from loans and advances written off		2,921	5,148	775	1,937
Others		137	(68)	167	(68)
TOTAL IMPAIRMENT LOSSES (NET)		(6,061)	(5,104)	(1,812)	(1,528)
PROFIT BEFORE TAX		45,166	44,770	15,315	14,998
Taxation	12	(6,877)	(6,718)	(2,307)	(2,365)
PROFIT FOR THE PERIOD		38,289	38,052	13,008	12,633
OTHER COMPREHENSIVE EXPENSES/INCOME					
Items that will not be reclassified subsequently to profit or loss					
Revaluation (losses)/gain on equity instruments at fair value through other comprehensive income		(1,336)	(1,028)	1,362	926
Items that will be reclassified subsequently to profit or loss					
Debt instruments at fair value through other comprehensive income		411	(190)	128	68
Tax effect of net results on FVOCI financial investments		(210)	(177)	(98)	(113)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(1,135)	(1,395)	1,392	881
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		37,154	36,657	14,400	13,514
Earnings per share:					
Basic and diluted, profit for the period attributable to equity holders		0.022	0.021	0.009	0.008

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the period ended 30 September 2019 (Un-audited)

	Notes	Nine months ended 30 September	
		2019 RO'000	2018 RO'000
Profit before taxation		45,166	44,770
Adjustments for:			
Depreciation	7	3,397	3,311
Provision for credit losses (net)		11,834	12,092
Provision for credit loss Bank loans/Investments (Net)		(137)	68
Loss/(profit) on sale of investments		69	(178)
(Profit) on sale of fixed assets		(7)	-
Investment income		(1,183)	(6,477)
Operating profit before changes in operating assets and liabilities		59,139	53,586
Due from and other money market deposits		(7,925)	7,046
Due to and other money market placements		(15,374)	(42,378)
Loans and advances to customers		23,064	(17,506)
Other assets		8,181	(8,044)
Customer deposits		67,029	39,299
Euro Medium Term Notes		-	76,555
Other liabilities		(14,823)	11,459
Cash from operations		119,291	120,017
Tax paid		(1,953)	(5,713)
Net cash from operating activities		117,338	114,304
Investing activities			
Purchase of investments		(70,085)	(56,734)
Proceeds from sale of investments		275	397
Purchase of premises and equipment	7	(2,413)	(2,512)
Disposal of premises and equipment		94	64
Translation difference in premises & equipment & Tax		4	9
Interest on Government Development Bond and T-Bills		-	5,486
Dividend income	19	1,183	991
Net cash used in investing activities		(70,942)	(52,299)
Financing activities			
Payment of dividend		(26,015)	(23,228)
Proceeds from Subordinated debt		(17,000)	-
Interest on Tier 1 perpetual bond		(4,548)	(4,548)
Net cash used in financing activities		(47,563)	(27,776)
Decrease/Increase in cash and cash equivalents		(1,167)	34,229
Cash and cash equivalents at the beginning of the period		255,486	406,563
Cash and cash equivalents at the end of the period		254,319	440,792
Representing:			
Cash and balances with Central Bank	3	219,717	294,640
Due from Bank (maturing within 3 months)		164,080	158,376
Due to Bank (maturing within 3 months)		(129,478)	(12,224)
		254,319	440,792

* Minimum cash reserve to be maintained with Central Bank of Oman as of 30 September 2019 amounted to RO 63 million (30 September 2018: RO 75 million).

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 September 2019 (Un-audited)

<i>(RO'000)</i>	Share capital	Share premium	Legal reserve *	Other non-distributable reserves*	Proposed cash dividend	Proposed stock dividend	Retained earnings	Total	Tier 1 perpetual bond	Total
Balance at 1 January 2019	162,595	34,465	54,198	16,541	26,015	-	127,176	420,990	115,500	536,490
Total comprehensive income for the period	-	-	-	(1,135)	-	-	38,289	37,154	-	37,154
Dividend paid during the period	-	-	-	-	(26,015)	-	-	(26,015)	-	(26,015)
Payment of tier 1 perpetual bond	-	-	-	-	-	-	(4,548)	(4,548)	-	(4,548)
Reversal of wht on tier 1 perpetual bond	-	-	-	-	-	-	2,021	2,021	-	2,021
Transfer to retained earnings	-	-	-	(17,000)	-	-	17,000	-	-	-
Balance at 30 September 2019	162,595	34,465	54,198	(1,594)	-	-	179,938	429,602	115,500	545,102
Balance at 1 January 2018	154,852	34,465	51,617	23,489	23,228	7,743	135,365	430,759	115,500	546,259
Impact of adopting IFRS 9	-	-	-	(70)	-	-	(23,684)	(23,754)	-	(23,754)
Restated opening balance under IFRS 9	154,852	34,465	51,617	23,419	23,228	7,743	111,681	407,005	115,500	522,505
Total comprehensive income for the period	-	-	-	(1,395)	-	-	38,052	36,657	-	36,657
Payment of tier 1 perpetual bond	-	-	-	-	-	-	(4,548)	(4,548)	-	(4,548)
Withholding tax provision on tier 1 perpetual bond	-	-	-	-	-	-	(1,516)	(1,516)	-	(1,516)
Issue of Shares	7,743	-	-	-	-	(7,743)	-	-	-	-
Dividend paid during the period	-	-	-	-	(23,228)	-	-	(23,228)	-	(23,228)
Balance at 30 September 2018	162,595	34,465	51,617	22,024	-	-	143,669	414,370	115,500	529,870
Balance at 1 October 2018	162,595	34,465	51,617	22,024	-	-	143,669	414,370	115,500	529,870
Total comprehensive income for the period	-	-	-	(883)	-	-	12,556	11,673	-	11,673
Payment of tier 1 perpetual bond	-	-	-	-	-	-	(4,548)	(4,548)	-	(4,548)
Accrual of wht on tier 1 perpetual bond	-	-	-	-	-	-	(505)	(505)	-	(505)
Transfer to retained earnings	-	-	-	(8,000)	-	-	8,000	-	-	-
Transfer to subordinated funds reserve	-	-	-	3,400	-	-	(3,400)	-	-	-
Transfer to legal reserve	-	-	2,581	-	-	-	(2,581)	-	-	-
Proposed dividend	-	-	-	-	26,015	-	(26,015)	-	-	-
Balance at 31 December 2018	162,595	34,465	54,198	16,541	26,015	-	127,176	420,990	115,500	536,490

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS As at 30 September 2019 (Un-audited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

The bank employed 1,581 employees as of 30 September 2019 (30 September 2018 – 1,543 employees / 31 December 2018 - 1,563).

2 SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements of the bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018, results of the nine months period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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.

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.

IFRS 16 LEASES

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

The Group has recognized new assets and liabilities for its leases of premises. The nature of expenses related to those leases has now changed because the Group has recognized a depreciation charge right-of-use assets and interest expense on lease liabilities.

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

The Group has recognized RO 3.4 million under right-of-use assets and additional lease liabilities as at 1 January 2019 of in the financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

3 CASH AND BALANCES WITH CENTRAL BANKS

	<i>30/09/2019</i>	<i>30/09/2018</i>	<i>31/12/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Cash	44,997	55,206	57,039
Treasury bills	166	5,000	2,193
Certificate of Deposit with Central Banks	13,102	-	-
Other balances with Central Banks	161,452	234,434	255,323
Cash and cash equivalents	219,717	294,640	314,555
Capital deposit with Central Bank of Oman	500	500	500
Cash and balances with Central Banks	220,217	295,140	315,055

- (i) At 30 September 2019, cash and balances with Central Bank of Oman included balances amounting to RO 500,000 (30 September 2018: RO 500,000) as capital deposit. This deposit cannot be withdrawn without the Central Bank of Oman approval.
- (ii) Minimum cash reserve to be maintained with Central Bank of Oman as of 30 September 2019 amounted to RO 63 million (30 September 2018: RO 75 million).
- (iii) ECL on the cash and balances with Central Banks is not material and accordingly no adjustment has been accounted by the Bank.

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

	<i>30/09/2019</i>	<i>30/09/2018</i>	<i>31/12/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Loans and advances to banks	12,281	11,165	13,090
Placements with banks	149,743	142,477	51,534
Demand balances	34,614	28,834	33,819
Due from banks and other money market placements	196,638	182,476	98,443
Less: allowance for the credit losses	(371)	(421)	(379)
Net due from banks and other money market placements	196,267	182,055	98,064

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

	<i>9 months</i>	<i>9 months</i>	<i>12 months</i>
	<i>Ended</i>	<i>ended</i>	<i>ended</i>
	<i>30/09/2019</i>	<i>30/09/2018</i>	<i>31/12/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Balance at beginning of period / year	379	94	94
Impact of adopting IFRS 9	-	367	367
Restated opening balance under IFRS 9	379	461	461
Released during the period / year	(8)	(40)	(82)
Balance at end of period / year	371	421	379

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

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

	30/09/2019	30/09/2018	31/12/2018
	RO'000	RO'000	RO'000
Overdrafts	99,162	102,160	99,724
Personal loans	1,381,460	1,390,068	1,401,890
Other loans	1,438,481	1,283,669	1,438,471
Gross loans, advances and financing activities for customers	2,919,103	2,775,897	2,940,085
Less: allowance for credit losses	(144,508)	(141,161)	(130,378)
Net loans and advances	2,774,595	2,634,736	2,809,707

Gross loans, advances and financing activities for customers include RO 135 million due from related parties at 30 September 2019 (30 September 2018 – RO 101 million, 31 December 2018 – RO 115 million).

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

Movement in the provision for impairment of funded loans and advances

	9 months ended	9 months ended	12 months ended
	30/09/2019	30/09/2018	31/12/2018
	RO'000	RO'000	RO'000
Balance at beginning of period / year	130,378	116,531	116,531
Impact of adopting IFRS 9	-	13,791	13,791
Restated opening balance under IFRS 9	130,378	130,322	130,322
Provided during the period / year	21,748	19,360	27,701
Recovered/ released during the period / year	(2,715)	(1,908)	(4,524)
Written off during the period / year	(4,918)	(6,611)	(23,117)
Translation difference	15	(2)	(4)
Balance at end of period / year	144,508	141,161	130,378

Provided during the period includes contractual interest reserved for RO 8,041 thousands.

Recovered/released during the period includes recovery of reserved interest for RO 1,292 thousands.

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

As of 30 September 2019 loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 162 million (30 September 2018 – RO 137 million and 31 December 2018 – RO 141 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

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

5.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 30 September 2019:

Impairment charge and provision held as of 30 September 2019

Amounts in RO'000

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	8,982	8,982	-
Provisions required as per CBO norms/ held as per IFRS 9	124,831	152,690	27,861
Gross non-performing loan ratio (percentage)	3.70	3.70	-
Net non-performing loan ratio (percentage)	1.46	1.49	0.03

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	2,296,479	32,894	12,880	20,014	2,283,599	
	Stage 2	348,265	3,884	12,181	(8,297)	336,083	
	Stage 3				-	-	
Subtotal		2,644,744	36,778	25,061	11,717	2,619,683	-
Special Mention	Stage 1				-	-	
	Stage 2	112,527	1,179	11,980	(10,801)	100,547	
	Stage 3				-	-	
Subtotal		112,527	1,179	11,980	(10,801)	100,547	-
Substandard	Stage 1				-	-	
	Stage 2				-	-	
	Stage 3	17,927	3,907	7,763	(3,588)	10,165	268
Subtotal		17,927	3,907	7,763	(3,588)	10,165	268
Doubtful	Stage 1				-	-	
	Stage 2				-	-	
	Stage 3	21,564	8,047	8,039	571	13,525	563
Subtotal		21,564	8,047	8,039	571	13,525	563
Loss	Stage 1				-	-	
	Stage 2				-	-	
	Stage 3	122,341	74,920	91,665	4,115	30,676	20,861
Subtotal		122,341	74,920	91,665	4,115	30,676	20,861
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	749,119		1,854	(1,854)	747,265	
	Stage 2	137,406		6,330	(6,330)	131,077	
	Stage 3				-	-	
Subtotal		886,525	-	8,184	(8,184)	878,342	-
Total	Stage 1	3,045,598	32,894	14,734	18,160	3,030,864	-
	Stage 2	598,198	5,063	30,491	(25,428)	567,707	-
	Stage 3	161,833	86,874	107,467	1,098	54,365	21,693
	Total	3,805,628	124,831	152,692	(6,170)	3,652,936	21,693

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

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

5.2 Comparison of impairment provisions relating to restructured loans in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 30 September 2019:

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	60,047	677	420	257	59,627	
	Stage 2	46,673	704	3,814	(3,110)	42,859	
	Stage 3	-	-	-	-	-	
Subtotal		106,720	1,381	4,234	(2,853)	102,486	-
Classified as non-performing	Stage 1	-	-	-	-	-	
	Stage 2	-	-	-	-	-	
	Stage 3	31,952	12,204	16,886	1,418	15,066	6,100
Sub total		31,952	12,204	16,886	1,418	15,066	6,100
Total	Stage 1	60,047	677	420	257	59,627	-
	Stage 2	46,673	704	3,814	(3,110)	42,859	-
	Stage 3	31,952	12,204	16,886	1,418	15,066	6,100
	Total	138,672	13,585	21,120	(1,435)	117,552	6,100

Note: The above restructured includes RO 49.8 million exposure backed by debt service undertaking from a government related entity.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

5.3 Movement in ECL

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>RO' 000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Exposure subject to ECL				
- Loans and Advances to Customers	2,304,998	452,272	161,833	2,919,103
- Investment Securities (Debt)	300,665	-	-	300,665
- Loan Commitments and Financial Guarantees	513,683	137,406	-	651,089
- Due from Banks, Central Banks and Other Financial Assets	196,638	-	-	196,638
	3,315,984	589,678	161,833	4,067,495
Opening Balance - as at 1 January 2019				
- Loans and Advances to Customers	14,542	25,868	89,968	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
	16,944	33,659	89,968	140,571
Net transfer between stages				
- Loans and Advances to Customers	720	(9,429)	8,709	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	798	(798)	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	1,518	(10,227)	8,709	-
Charge for the Period (net)				
- Loans and Advances to Customers	(2,382)	7,723	13,692	19,033
- Investment Securities (Debt)	(130)	-	-	(130)
- Loan Commitments and Financial Guarantees	(1,210)	(663)	-	(1,873)
- Due from Banks, Central Banks and Other Financial Assets	(8)	-	-	(8)
	(3,730)	7,060	13,692	17,022
Write off for the period and translation				
- Loans and Advances to Customers	-	-	(4,903)	(4,903)
	-	-	(4,903)	(4,903)
Closing Balance - as at 30 September 2019				
- Loans and Advances to Customers	12,880	24,162	107,466	144,508
- Investment Securities (Debt)	461	-	-	461
- Loan Commitments and Financial Guarantees	1,020	6,330	-	7,350
- Due from Banks, Central Banks and Other Financial Assets	371	-	-	371
	14,732	30,492	107,466	152,690

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

6 FINANCIAL INVESTMENTS

	Carrying value 30/09/2019 RO'000	Carrying value 30/09/2018 RO'000	Carrying value 31/12/2018 RO'000
Investment measured at FVPL			
Quoted investments- Oman			
Banking and investment sector	4,982	5,039	4,874
	4,982	5,039	4,874
Quoted investments- Foreign			
Banking and investment sector	397	381	402
	397	381	402
Unquoted investments			
Banking and investment sector	2,452	2,547	2,415
	2,452	2,547	2,415
Total FVPL	7,831	7,967	7,691
Investment measured at FVOCI			
Quoted investments- Oman			
Manufacturing sector	1,673	2,022	2,033
Service sector	17,999	20,468	19,862
	19,672	22,490	21,895
Quoted investments- Foreign			
Banking and investment sector	17,328	3,081	3,059
	17,328	3,081	3,059
Unquoted investments			
Banking and investment sector	295	295	295
Service sector	36	36	36
	331	331	331
Total FVOCI – Equity instruments	37,331	25,902	25,285
Debt instruments measured at FVOCI			
Quoted investments- Oman			
Government Development Bonds	3,794	3,743	3,391
Total FVOCI – Debt instruments	3,794	3,743	3,391
Total FVOCI	41,125	29,645	28,676

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

6 FINANCIAL INVESTMENTS (continued)

Investment measured at amortised cost	Carrying value	Carrying value	Carrying value
Quoted investments- Oman	30/09/2019	30/09/2018	31/12/2018
Government Development Bonds	224,369	173,555	167,964
Government Sukuk	6,798	6,787	6,790
Banking and investment sector	550	550	550
Manufacturing sector	5,775	5,775	5,775
Service sector	9,343	7,450	9,340
	246,835	194,117	190,419
Quoted investments- Foreign			
Government Development Bonds	4,874	4,982	4,954
Banking and investment sector	-	1,963	-
	4,874	6,945	4,954
Total amortised cost	251,709	201,062	195,373
TOTAL FINANCIAL INVESTMENTS	300,665	238,674	231,740
Less: impairment	(461)	(610)	(591)
NET FINANCIAL INVESTMENTS	300,204	238,064	231,149

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

	9 months ended 30/09/2019 RO'000	9 months ended 30/09/2018 RO'000	12 months ended 31/12/2018 RO'000
Balance at the beginning of the period/year	591	-	-
Impact of adopting IFRS 9	-	502	502
Restated opening balance under IFRS 9	591	502	502
Provided during the period/year	(130)	108	89
Balance at the end of the period/year	461	610	591

Details of significant investments

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

	Bank's portfolio %	Carrying value RO'000
30 September 2019		
Government Development Bonds and sukuks	78.2	234,961
30 September 2018		
Government Development Bonds and sukuks	77.9	185,281
31 December 2018		
Government Development Bonds and sukuks	79.2	183,100

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

7 PREMISES AND EQUIPMENT

	<i>Freehold land, buildings and leasehold improvements RO'000</i>	<i>Motor vehicles, furniture and equipment RO'000</i>	<i>Capital work in progress RO'000</i>	<i>Total RO'000</i>
Reconciliation of carrying amount:				
Balance at 1 January 2019, net of accumulated depreciation	50,054	12,040	2,266	64,360
Additions	3,363	787	1,611	5,761
Disposals	(2)	(15)	(70)	(87)
Transfers	-	1,415	(1,415)	-
Translation difference	10	1	-	11
Depreciation	(1,351)	(2,046)	-	(3,397)
Balance at 30 September 2019, net of accumulated depreciation	52,074	12,182	2,392	66,648
At cost / valuation	68,381	42,736	2,392	113,509
Accumulated depreciation	(16,307)	(30,554)	-	(46,861)
Net carrying value at 30 September 2019	52,074	12,182	2,392	66,648
Net carrying value at 30 September 2018	50,292	11,908	2,732	64,932
Net carrying value at 31 December 2018	50,054	12,040	2,266	64,360

As at 30 September 2019, the carrying value of freehold land and building and lease hold improvements is inclusive of "Right to Use (RTU)" assets of RO 3.4M as per IFRS-16. Previously, bank has recognised operating lease expenses on a straight line basis over the term of the lease. The bank has recognised RO 3.4million under Right to Use assets and additional lease liabilities of RO 2.5 million as at 30 September 2019 in the financial statements.

8 OTHER ASSETS

	<i>30/09/2019 RO'000</i>	<i>30/09/2018 RO'000</i>	<i>31/12/2018 RO'000</i>
Interest receivable and others	19,699	23,574	25,464
Positive fair value of derivatives (note 27)	3,747	1,433	450
Customers' indebtedness for acceptances (note 11)	22,387	27,265	27,939
Deferred tax (note 12)	-	349	734
	45,833	52,621	54,587

9 CUSTOMERS' DEPOSITS AND UNRESTRICTED INVESTMENT ACCOUNTS

	<i>30/09/2019 RO'000</i>	<i>30/09/2018 RO'000</i>	<i>31/12/2018 RO'000</i>
Current accounts	894,442	935,921	870,896
Savings accounts	594,632	566,182	583,489
Term deposits	1,030,337	998,463	997,997
	2,519,411	2,500,566	2,452,382

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2019 (Un-audited)

10 EURO MEDIUM TERM NOTES

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

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

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

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

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

11 OTHER LIABILITIES

	30/09/2019 <i>RO'000</i>	30/09/2018 <i>RO'000</i>	31/12/2018 <i>RO'000</i>
Interest payable and other accruals	47,192	47,617	55,101
Allowances for credit losses for loan Commitments and Financial Guarantees	7,350	8,684	9,223
Negative fair value of derivatives (note 27)	1,864	1,240	1,271
Liabilities under acceptances (note 8)	22,387	27,265	27,939
Deferred tax liability (note 12)	228	-	-
	79,021	84,806	93,534

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

	<i>9 months Ended 30/09/2019 RO'000</i>	<i>9 months ended 30/09/2018 RO'000</i>	<i>12 months ended 31/12/2018 RO'000</i>
Balance at beginning of period / year	9,223	-	-
Impact of adopting IFRS 9	-	9,094	9,094
Restated opening balance under IFRS 9 (Released)/provided during the period / year	9,223	9,094	9,094
	(1,873)	(410)	129
Balance at end of period / year	7,350	8,684	9,223

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2019 (Un-audited)

12 TAXATION

	30/09/2019 RO'000	30/09/2018 RO'000	31/12/2018 RO'000
Statement of comprehensive income			
Current period/year	6,161	5,686	8,538
Deferred tax adjustment	716	1,032	730
	6,877	6,718	9,268

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

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

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

	30/09/2019 RO'000	30/09/2018 RO'000	31/12/2018 RO'000
Accounting profit	45,166	44,770	59,876
Tax at applicable rate	6,775	6,716	8,981
Non-deductible expenses	506	529	688
Tax exempt revenues	(473)	(928)	(979)
Others	(647)	(631)	(152)
	6,161	5,686	8,538

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

The tax assessments of the Egypt operations in respect of the different taxes applicable are at different stages of completion with the respective tax authorities. The bank's liability in respect of its branches in UAE has been agreed with the tax authorities up to 31 December 2018.

	30/09/2019 RO'000	30/09/2018 RO'000	31/12/2018 RO'000
Tax liability			
Income tax and other taxes – Current period/year	6,161	5,686	8,538
Income tax and other taxes – Prior years	8,447	1,935	1,881
	14,608	7,621	10,419

	30/09/2019 RO'000	30/09/2018 RO'000	31/12/2018 RO'000
Recognised deferred tax assets (note 8)/(liabilities) (note 11)			
Deferred tax assets/(Liabilities) are attributable to the following:			
Provisions	34	448	750
FVOCI	(262)	(99)	(16)
	(228)	349	734

Deferred tax is calculated at 15% (2018 – 15%).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

12 TAXATION (continued)

Movement of deferred tax asset/ (liability)

	<i>30/09/2019</i>	<i>30/09/2018</i>	<i>31/12/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Balance at the beginning of the year	734	1,558	1,558
Created during the year	(716)	(1,032)	(730)
Tax effect of movement in FVOCI investments	(246)	(177)	(94)
	(228)	349	734

13 SUBORDINATED DEBT

	<i>30/09/2019</i>	<i>30/09/2018</i>	<i>31/12/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
At 1 January	17,000	25,000	25,000
Redeemed during the period/year	(17,000)	-	(8,000)
	-	25,000	17,000

14 OTHER NON-DISTRIBUTABLE RESERVES

	<i>Available for sale reserve RO '000</i>	<i>Revaluation reserve RO '000</i>	<i>Subordinated debt reserve RO '000</i>	<i>Total RO '000</i>
At 1 January 2019	(4,844)	4,385	17,000	16,541
Net movement on available for sale investments	(925)	-	-	(925)
Tax effect of net losses on available for sale financial investments	(210)	-	-	(210)
Transfer to retain earnings	-	-	(17,000)	(17,000)
At 30 September 2019	(5,979)	4,385	-	(1,594)
At 30 September 2018	(3,961)	4,385	21,600	22,024
At 31 December 2018	(4,844)	4,385	17,000	16,541

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

15 TIER 1 PERPETUAL BOND

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

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
As at 30 September 2019 (Un-audited)

16 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30/09/2019</i>	<i>30/09/2018</i>	<i>31/12/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Guarantees	356,535	368,377	368,865
Documentary letters of credit	97,729	90,854	100,836
Undrawn commitment to lend	196,825	203,200	119,619
	651,089	662,431	589,320

(i) The allowances for credit losses for commitments and financial guarantees amounts to RO 7.35 million (30 September 2018 – RO 8.68 million and 31 December 2018– RO 9.22 million) and is included under note 11.

(ii) Contingent liabilities include RO 4.23 million (30 September 2018 – RO 3.6 million and 31 December 2018– RO 1.58 million) relating to non-performing loans.

17 INTEREST INCOME

Interest bearing assets earned interest at an overall rate of 5.43% for the nine months period ended 30 September 2019 (30 September- 2018- 5.32% – and 31 December 2018 – 5.29%).

18 INTEREST EXPENSE

For the nine months period ended 30 September 2019, the average overall cost of funds was 2.53% (30 September 2018-2.19% and 31 December 2018 – 2.32%).

19 OTHER OPERATING INCOME

	<i>9 months ended</i>	<i>9 months ended</i>	<i>3 months ended</i>	<i>3 months ended</i>
	<i>30/09/2019</i>	<i>30/09/2018</i>	<i>30/09/2019</i>	<i>30/09/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Net gains from foreign exchange dealings	5,069	4,496	1,793	1,607
Net fees and commissions	14,575	14,506	4,205	5,478
(Loss)/Income on trading investments	(69)	178	(91)	69
Dividend income	1,183	991	25	214
Service charges	3,884	4,027	1,255	1,409
Miscellaneous income	1,101	847	477	262
	25,743	25,045	7,664	9,039

20 OTHER OPERATING EXPENSES

	<i>9 months ended</i>	<i>9 months ended</i>	<i>3 months ended</i>	<i>3 months ended</i>
	<i>30/09/2019</i>	<i>30/09/2018</i>	<i>30/09/2019</i>	<i>30/09/2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Establishment costs	4,603	4,196	1,589	1,600
Operating and administration expenses	9,981	10,167	3,444	3,129
	14,584	14,363	5,033	4,729

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

21 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Profit after tax (RO'000s)	38,289	38,052	13,008	12,633
Less: Interest on tier 1 perpetual bond	(2,527)	(4,548)	2,021	-
Profit attributable to shareholders	35,762	33,504	15,029	12,633
Weighted average number of shares outstanding during the year (in '000s)	1,625,950	1,625,950	1,625,950	1,625,950
Earnings per share (RO)	0.022	0.021	0.009	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.

22 ASSET LIABILITY MISMATCH

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

30 September 2019

<i>Maturities</i>	<i>Assets</i>	<i>Equity, subordinated</i>	<i>Mismatch</i>
	<i>RO'000</i>	<i>funds and liabilities</i>	<i>RO'000</i>
		<i>RO'000</i>	
0 - 3 month	854,264	959,872	(105,608)
3 - 12 month	306,181	730,469	(424,288)
1 - 5 years	718,320	883,313	(164,993)
More than 5 years	1,724,999	1,030,110	694,889
Total	3,603,764	3,603,764	-

30 September 2018

<i>Maturities</i>	<i>Assets</i>	<i>Equity, subordinated</i>	<i>Mismatch</i>
	<i>RO'000</i>	<i>funds and liabilities</i>	<i>RO'000</i>
		<i>RO'000</i>	
0 - 3 month	980,575	755,849	224,726
3 - 12 month	268,394	880,528	(612,134)
1 - 5 years	682,649	823,672	(141,023)
More than 5 years	1,535,930	1,007,499	528,431
Total	3,467,548	3,467,548	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

22 ASSET LIABILITY MISMATCH (continued)

31 December 2018

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

23 RELATED PARTY TRANSACTIONS

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

	30/09/2019			31/12/2018		
	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000
Loans and advances	-	135,008	135,008	-	115,139	115,139
Customers' deposits	30,013	47,823	77,836	32,263	52,757	85,020
Due from banks	36,635	9,625	46,260	84	9,625	9,709
Due to banks	369	-	369	109	-	109
Subordinated debt	-	-	-	14,500	-	14,500
Letters of credit, guarantees and acceptances	646	36,198	36,844	523	45,152	45,675
Standby revolving credit facility	-	-	-	77,000	-	77,000
Investments	2,094	-	2,094	2,031	-	2,031

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

	30/09/2019			30/09/2018		
	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000
Interest income	32	5,240	5,272	31	5,712	5,743
Commission income	2	975	977	74	72	146
Interest expense	1,324	972	2,296	1,514	840	2,354
Other expenses	-	267	267	-	590	590
Senior management compensation:				9 months ended		9 months ended
Salaries and other short term benefits				30/09/2019		30/09/2018
				RO'000		RO'000
- Fixed				2,032		2,155
- Discretionary				1,404		1,427
				3,436		3,582

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS As at 30 September 2019 (Un-audited)

24 SHAREHOLDERS

As of 30 September 2019, the shareholders of the bank who own 10% or more of the bank's shares:

	<i>Number of shares '000</i>	<i>% Holding</i>
The Commercial Bank of Qatar	567,453	34.90%
Suhail Bahwan Group (Holdings) LLC	239,734	14.74%
Civil Service Employees Pension Fund	183,579	11.29%

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

25 SEGMENT REPORTING

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

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

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

Segment information by business line is as follows:

	<i>Retail banking RO'000</i>	<i>Wholesale banking RO'000</i>	<i>Commercial banking RO'000</i>	<i>Funding center RO'000</i>	<i>Total RO'000</i>
30 September 2019					
Operating income/(loss)	45,891	42,776	11,703	(2,658)	97,712
Net profit/(loss)	21,877	29,164	(3,421)	(9,331)	38,289
Total assets	1,295,134	1,251,572	379,339	677,719	3,603,764

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

25 SEGMENT REPORTING (continued)

	<i>Retail banking RO'000</i>	<i>Wholesale banking RO'000</i>	<i>Commercial banking RO'000</i>	<i>Funding center RO'000</i>	<i>Total RO'000</i>
<i>30 September 2018</i>					
Operating income	40,981	38,423	11,863	3,906	95,173
Net profit/(loss)	12,736	35,862	(6,718)	(3,828)	38,052
Total assets	1,302,901	1,136,669	397,981	629,997	3,467,548

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

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

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

For the period ended 30 September 2019	<i>Oman RO'000</i>	<i>UAE RO'000</i>	<i>Egypt RO'000</i>	<i>Total RO'000</i>
Net interest income and net income from Islamic financing and investment activities	70,196	1,380	393	71,969
Other operating income	24,500	1,051	192	25,743
Operating income	94,696	2,431	585	97,712
Operating expenses	(43,506)	(2,686)	(293)	(46,485)
	51,190	(255)	292	51,227
Impairment losses (net) and taxation	(8,585)	(4,347)	(6)	(12,938)
Segment profit/(loss) for the period	42,605	(4,602)	286	38,289
Other information				
Segment assets	3,486,489	98,010	19,265	3,603,764
Segment capital expenses	2,320	91	2	2,413

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2019 (Un-audited)

25 SEGMENT REPORTING (continued)

For the period ended 30 September 2018	<i>Oman</i> <i>RO'000</i>	<i>UAE</i> <i>RO'000</i>	<i>Egypt</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Net Interest income and net income from Islamic financing and Investment activities	67,571	2,202	355	70,128
Other operating income	24,151	895	(1)	25,045
Operating income	91,722	3,097	354	95,173
Operating expenses	(42,320)	(2,812)	(167)	(45,299)
Operating profit	49,402	285	187	49,874
Impairment losses (net) and taxation	(5,885)	(5,932)	(5)	(11,822)
Segment profit/(loss) for the period	43,517	(5,647)	182	38,052
Other information				
Segment assets	3,339,953	107,396	20,199	3,467,548
Segment capital expenses	2,370	140	2	2,512

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)**

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Based on the valuation methodology outlined below, the fair values of all financial instruments at 30 September 2019 are considered by the Management not to be materially different to their book values.

Estimation of fair values

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

Loans and advances

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

Investments

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

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

Current account balances due to and due from banks

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

Bank and customer deposits

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

Other financial instruments

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation models

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

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

Valuation models

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

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

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

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

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
30 September 2019			
Investment measured at FVTPL			
Quoted equities	5,379	-	5,379
Unquoted equities	-	2,452	2,452
Total	5,379	2,452	7,831
Investment measured at FVOCI			
Quoted equities	40,794	-	40,794
Unquoted equities	-	331	331
Total	40,794	331	41,125
Total financial assets	46,173	2,783	48,956
30 September 2018			
	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Investment measured at FVTPL			
Quoted equities	5,420	-	5,420
Unquoted equities	-	2,547	2,547
Total	5,420	2,547	7,967
Investment measured at FVOCI			
Quoted equities	29,314	-	29,314
Unquoted equities	-	331	331
Total	29,314	331	29,645
Total financial assets	34,734	2,878	37,612

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

26 FAIR VALUE OF FINANCIAL INSTRUMENTS (Un-audited)

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2019 (Un-audited)

27 DERIVATIVES

	Positive fair value (Note 8) RO'000	Negative fair value (Note 11) RO'000	Notional amount total RO'000	Notional amounts by term to maturity		
				Within 3 months RO'000	3 – 12 months RO'000	Above 1 Year RO'000
30 September 2019						
<i>Derivatives</i>						
Fair value hedge	443	-	115,500	115,500	-	-
Interest rate swaps	1,637	(1,637)	133,285	9,400	34,746	89,139
Forward foreign exchange purchase contracts	62	(165)	222,791	136,268	70,863	15,660
Forward foreign exchange sales contracts	1,605	(62)	222,791	136,338	68,985	17,468
Total	3,747	(1,864)	694,367	397,506	174,594	122,267
30 September 2018						
<i>Derivatives</i>						
Fair value hedge	-	(539)	115,500	-	-	115,500
Interest rate swaps	530	(530)	92,169	10,331	20,480	61,358
Forward foreign exchange purchase contracts	213	(67)	153,268	109,303	20,433	23,532
Forward foreign exchange sales contracts	663	(77)	153,268	108,814	20,207	24,247
Currency Options	27	(27)	2,431	2,431	-	-
Total	1,433	(1,240)	516,636	230,879	61,120	224,637
31 December 2018						
<i>Derivatives</i>						
Fair value hedge	-	(852)	115,500	-	115,500	-
Interest rate swaps	126	(126)	39,138	6,998	12,280	19,860
Forward foreign exchange purchase contracts	101	(224)	180,987	144,358	36,408	221
Forward foreign exchange sales contracts	219	(65)	180,987	144,249	36,375	363
Currency options	4	(4)	533	206	-	327
Total	450	(1,271)	517,145	295,811	200,563	20,771

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2019 (Un-audited)

28 LIQUIDITY COVERAGE RATIO

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

	September 2019		September 2018	
	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000
High quality liquid assets				
Total High Quality Liquid Assets (HQLA)	-	476,303	-	437,722
Cash outflows				
Stable deposits	600,870	30,044	583,559	29,178
Less stable deposits	115,450	11,545	120,396	12,040
Retail deposits and deposits from small business customers	716,320	41,589	703,955	41,218
Unsecured wholesale funding, of which:				
Operational deposits (all counterparties) and deposits in networks of cooperative banks	947,056	362,385	940,332	324,531
Additional requirements, of which				
Credit and liquidity facilities	13,543	1,354	40,129	4,013
Other contingent funding obligations	488,628	28,846	505,632	29,781
Total cash outflows		434,173		399,543
Cash inflows				
Inflows from fully performing exposures	333,272	252,038	428,387	344,581
Other cash inflows	8,324	8,324	9,469	9,469
Total cash inflows	341,596	260,361	437,856	354,050
Total high-quality liquid assets		476,303		437,722
Total net cash outflows		173,812		99,886
Liquidity coverage ratio (%)		274.03		438.22