



SOHAR INTERNATIONAL BANK SAOG

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

Chairman's Report for the three months ended 31 March 2020

I am pleased to present Sohar International's (the 'Bank') results for the three months ended 31 March 2020 amidst a series of unexpected events of global consequence.

With immense gratitude, I take this opportunity to convey our heart's tribute in honour of Late His Majesty Sultan Qaboos Bin Said, the architect of the glorious Renaissance achievements scripted by the Sultanate across all sectors during the past 50 years.

Today, Oman is at the cusp of a new dawn under the leadership of His Majesty Sultan Haitham Bin Tariq Bin Taimur. Together with the nation moving forward with confidence, we extend our loyal support and commitment to His Majesty Sultan Haitham Bin Tariq Bin Taimur to lead Oman to greater glory.

Financial performance

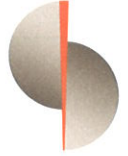
Total assets as of 31 March 2020 increased by 10.6% to RO 3.416 billion (31 March 2019: RO 3.088 billion). Net loans and advances increased by 5.3% to RO 2,461 million (31 March 2019: RO 2,337 million). Customer deposits increased by 17.2% to RO 2,131 million (31 March 2019: RO 1,818 million). As at end of February 2020, the Bank's market share of private sector credit increased to 11.39% from 10.82% in March 2019 and its share of private sector deposits increased from 8.21% to 8.42% over the same period.

Net profit for the first three months ended 31 March 2020 declined by 39.2% to RO 6.17 million compared to RO 10.15 million during the same period in 2019.

Operating profit decreased by 10.9% to RO 12.29 million compared to RO 13.79 million for the same period last year. Net interest income for the first three months ended 31 March 2020 increased by 12.0% to RO 17.49 million (31 March 2019: RO 15.61 million). Operating income decreased by 9.4% to RO 23.07 million, (31 March 2019: RO 25.45 million).

Operating expenses decreased by 7.5% to RO 10.782 million (31 March 2019: RO 11.659 million). The Bank continues to manage the expense base to support its strategic objectives as well as to maintain a strong cost/income ratio, reporting 47% for the period compared to 46% for the same period last year.

Net impairment charges and other credit risk provisions for the period was RO 5.03 million compared to RO 2.54 million for the same period last year. Increase in credit provisions include an element of management overlay in response to expected credit deterioration due to the economic impact of the Covid-19 pandemic and lower oil prices. Significant uncertainty exists in relation to potential credit impairments which management will continue to monitor and assess.



Response to tackle Covid-19

The world is going through an unprecedented crisis due to the outbreak of the Coronavirus (COVID-19) pandemic. The government of Oman has taken remarkable measures to combat coronavirus and we commend their initiatives. Supporting the community and complimenting such efforts, Sohar International committed over RO 1 million to fight the impacts of the virus through various initiatives including waiving six months of interest and fees, and deferring repayment of loan installments for SME clients. Sohar International also provided support to Royal Hospital in purchasing essential equipment and material to facilitate and enhance the hospital's capabilities in catering to more Coronavirus patients and therefore saving more lives. Sohar International will continue to introduce new initiatives to further alleviate the impacts of the pandemic as part of our national responsibility.

Sohar International attaches prime importance to the health, safety and well-being of all its staff and customers. Ensuring a safe banking experience for all, the Bank's digital capabilities were highlighted in campaigns to motivate customers to extensively use alternate channels for their banking requirements instead of visiting branches. In keeping with the highest standards of healthy work environment, the branch operations were streamlined to protect staff and customers.

The first quarter witnessed Sohar International's Business Continuity Management (BCM) program move into full gear. The regular testing of the program proved very effective especially during the current period and has been successfully implemented within the defined scope in preparation for the current year. Similar to all activities within the Bank, the BCM program continues to be improved in line with international best practices, which includes review of Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP) at least annually. Such regular reviews enable the bank to address areas of improvement by putting into motion appropriate plans and the necessary infrastructure updates taking into consideration capacity and resource requirements. Reflecting a high level of alertness and emergency preparedness in line with its BCM and BCP's, a series of measures and initiatives were taken by the Bank to tackle the pandemic Covid-19.

The emergency response plan to tackle the pandemic Covid-19 is followed at all touch points of the organisation. The Bank has been fully prepared to function remotely increasing its capabilities to provide seamless banking for customers. Critical functions of the Bank have been designated to different offices to reduce staff density in such departments and entry of visitors or guests has also been restricted to all offices (non-branch).



Creating Value for Customers

Aimed at supporting and providing a thrust to diversification of the national economy, the Bank signed a Memorandum of Understanding (MoU) with Sohar Port and Free Zone (SFZ). The MoU paves the way for the Bank to explore business and project finance opportunities and create a window for value creation vis-à-vis new products, services and technologies and thereby facilitate a winning journey for existing and prospective investors at Sohar Port and Free Zone.

Encapsulating the Bank's brand identity stemming from its vision and strategy for the present and the future and drawing from its deep understanding of what matters most to customers, the Bank launched Sohar|First proposition targeted at the mass affluent segment. Sohar|First offers a unique customer experience highlighting exclusivity and upscale benefits.

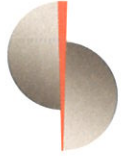
Giving a major thrust to savings, the 2020 Sohar|Prize scheme was revamped and launched to include more draws and more winners. The core focus of Sohar|Prize scheme is to encourage and reward people to save more and win more. By encouraging and rewarding customers for maintaining a prudent saving habit, the Bank seeks to actively impact the socio-economic development in Oman.

Contributing to the Nation

Aimed at driving positive transformation across Oman's socio-economic landscape, the Bank hosted the 5th edition of its Chairman's Forum - 'Viewpoints' featuring globally renowned Spanish architect and sculptor - Dr Santiago Calatrava who has also been commissioned to design the new headquarters of the Bank. Bringing together dignitaries, key policy makers, business and industry chiefs, academics, entrepreneurs and students contributing to the Sultanate's development, Viewpoints serves as a unique platform to highlight global market trends and how ideas can be implemented to benefit the Omani market. Utilizing the forum, the Bank delivers on its promise of providing 'winning' strategies for customers' by bringing the best of the world to Oman and taking the best of Oman to the world.

Promoting the spirit of 'winning' and showcasing Oman as an international sporting destination, the Bank provided lead support to Oman Open 2020 golf tournament. Serving as a window of opportunity for positive socio-economic benefits, the global sporting event reiterated the Bank's commitment to promote the Sultanate as an international sporting and tourism destination.

Giving thrust to empowerment of Omani youth in line with Oman Vision 2040 strategy for national talent development, the Bank welcomed the 2nd batch of Tomohi Internship Programme trainees. Twenty selected graduates are attending the year-long training programme which reaffirms the Bank's leadership in national talent development programmes. Tomohi reflects the Bank's commitment to promote a qualitative shift in national workforce through relevant training and internship programmes.



Aimed at generating sustainable value and long-term benefits to the community and the nation, the Bank joined hands with the Higher College of Technology to celebrate meritorious long service of staff and accomplishments of the second batch of students who graduated from the college in 1988. Reiterating its commitment to empowerment of youth and human resources development initiatives, the Bank participated in the 21st edition of Sultan Qaboos University (SQU) Career and Training Fair 2020. Leveraging its dynamic social engagement beyond banking and leading by example in addressing the changing economic and social situation, the Bank supported the Social Insurance Forum organised by the Public Authority for Social Insurance (PASI).

In collaboration with Wali Al Seeb Office, Al Seeb Volunteer Team, and Omani Women's Association in different parts of the country, Sohar International volunteers distributed essential food supplies to the less privileged members of our society.

Recognition

I thank the Bank's stakeholders for their continued trust and confidence as well as the employees for their commitment and enthusiasm especially during the current exceptional period.

I wish to recognise the outstanding support, guidance and vision of the Central Bank of Oman and the Capital Market Authority in establishing the platform for the financial sector to grow under the umbrella of strong governance, transparency and leadership.

Finally, I extend on behalf of the Board of Directors and all our loyal staff our heartfelt thanks to His Majesty Sultan Haitham Bin Tariq Bin Taimur for his vision and leadership of our beloved country, and the commendable efforts of the government of His Majesty Sultan Haitham Bin Tariq Bin Taimur in promoting the banking sector in Oman.

Mohammed Mahfoudh Al Ardhi
Chairman

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

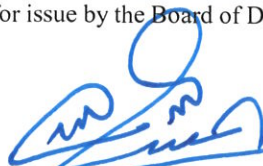
(RO'000)

		31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
ASSETS	Note			
Cash and balances with Central Bank	B1	68,821	89,572	99,564
Due from banks and other money market placements	B2	63,707	198,237	43,545
Loans, advances and financing, net	B3	2,461,072	2,454,153	2,336,882
Investment securities	B4	665,482	637,475	540,360
Property, equipment and fixtures		39,836	38,389	27,868
Investment properties		2,900	2,900	2,900
Other assets	B5	114,005	84,379	36,459
TOTAL ASSETS		3,415,823	3,505,105	3,087,578
LIABILITIES				
Due to banks and other money market borrowings	B6	606,301	735,261	679,873
Customer deposits	B7	2,130,688	2,097,310	1,818,147
Other liabilities	B8	115,140	100,524	74,274
Subordinated loans		35,650	35,392	35,645
Certificates of deposit		503	509	503
TOTAL LIABILITIES		2,888,282	2,968,996	2,608,442
SHAREHOLDERS' EQUITY				
Share capital	B9	245,355	236,360	198,265
Share premium	B9	18,038	19,942	18,038
Legal reserve		28,519	28,519	24,375
General reserve		988	988	988
Impairment reserve		-	-	737
Fair value reserve		(2,262)	(2,213)	(2,635)
Subordinated loans reserve		14,000	14,000	7,000
Retained earnings		22,903	38,513	32,368
TOTAL SHAREHOLDERS' EQUITY		327,541	336,109	279,136
Perpetual Tier 1 capital securities	B10	200,000	200,000	200,000
TOTAL EQUITY		527,541	536,109	479,136
TOTAL LIABILITIES AND EQUITY		3,415,823	3,505,105	3,087,578
CONTINGENT LIABILITIES	B11.a	408,240	392,710	499,704
COMMITMENTS	B11.b	392,124	364,240	522,536
Net assets per share		Baizas 134.54	Baizas 142.20	Baizas 140.79

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on 5th May 2020 and signed on their behalf by:



Chairman



Board member

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**FOR THE THREE MONTHS ENDED 31 MARCH 2020****(Unaudited)****(RO'000)**

		31 March 2020	31 March 2019
Interest income	Note C1	36,346	35,085
Interest expense	C2	(18,860)	(19,473)
Net interest income		17,486	15,612
Net income from Islamic financing and investing activities	C3.b	1,481	1,289
Other operating income	C4	4,103	8,548
TOTAL OPERATING INCOME		23,070	25,449
Staff costs		(6,313)	(7,456)
Other operating expenses	C5	(3,754)	(3,612)
Depreciation		(715)	(591)
TOTAL OPERATING EXPENSES		(10,782)	(11,659)
NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS		12,288	13,790
Loan impairment charges and other credit risk provisions (net)	C6	(5,024)	(2,537)
PROFIT BEFORE TAX		7,264	11,253
Income tax expense		(1,089)	(1,101)
PROFIT FOR THE PERIOD		6,175	10,152
Profit for the period			
Conventional banking		6,079	9,677
Islamic banking		96	475
		6,175	10,152
Basic earnings per share for the period	C7	Baisas (0.587)	Baisas 2.980

STATEMENT OF COMPREHENSIVE INCOME (continued)
FOR THE THREE MONTHS ENDED 31 MARCH 2020
(Unaudited)
(RO'000)

	31 March 2020	31 March 2019
Profit for the period	6,175	10,152
<i>Other comprehensive income that will not be reclassified to the income statement</i>		
Revaluation losses on equity instruments held at fair value through other comprehensive income (FVOCI)	(49)	(511)
Total other comprehensive loss that will not be reclassified to the income statement	(49)	(511)
<i>Other comprehensive income that will be reclassified to the income statement</i>		
Debt instruments at FVOCI:		
Net changes in allowance for expected credit losses	-	1
Total other comprehensive income that will be reclassified to the income statement	-	1
Total other comprehensive loss for the period, net of income tax	(49)	(510)
Total comprehensive income for the period, net of income tax	6,126	9,642

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2020

(Unaudited)

(RO'000)

	Share capital	Share premium	Legal reserve	General reserve	Impairment reserve	Fair value reserve	Subordinated loans reserve	Retained earnings	Total Shareholders' Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1 January 2020	236,360	19,942	28,519	988	-	(2,213)	14,000	38,513	336,109	200,000	536,109
Profit for the period	-	-	-	-	-	-	-	6,175	6,175	-	6,175
Other comprehensive loss for the period	-	-	-	-	-	(49)	-	-	(49)	-	(49)
Total comprehensive income for the period	-	-	-	-	-	(49)	-	-	6,126	-	6,126
Share premium transferred to share capital	1,904	(1,904)	-	-	-	-	-	-	-	-	-
Dividends paid for 2019	-	-	-	-	-	-	-	(7,091)	(7,091)	-	(7,091)
Issue of bonus shares for 2019	7,091	-	-	-	-	-	-	(7,091)	-	-	-
Additional Tier 1 coupon paid during the period	-	-	-	-	-	-	-	(7,603)	(7,603)	-	(7,603)
Balance as at 31 March 2020	245,355	18,038	28,519	988	-	(2,262)	14,000	22,903	327,541	200,000	527,541
Balance as at 1 January 2019	198,265	18,038	24,375	988	-	(2,125)	7,000	38,883	285,424	100,000	385,424
Profit for the period	-	-	-	-	-	-	-	10,152	10,152	-	10,152
Other comprehensive loss for the period	-	-	-	-	-	(510)	-	-	(510)	-	(510)
Total comprehensive income for the period	-	-	-	-	-	(510)	-	10,152	9,642	-	9,642
Dividends paid for 2018	-	-	-	-	-	-	-	(11,896)	(11,896)	-	(11,896)
Issue of Perpetual Tier1 Capital Securities	-	-	-	-	-	-	-	-	-	100,000	100,000
Additional Tier 1 coupon paid during the period	-	-	-	-	-	-	-	(3,843)	(3,843)	-	(3,843)
Issue expenses - Additional Tier 1 capital	-	-	-	-	-	-	-	(191)	(191)	-	(191)
Transfer to impairment reserve	-	-	-	-	737	-	-	(737)	-	-	-
Balance as at 31 March 2019	198,265	18,038	24,375	988	737	(2,635)	7,000	32,368	279,136	200,000	479,136

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2020
(Unaudited) (RO'000)

	31 March 2020 RO'000	31 March 2019 RO'000
OPERATING ACTIVITIES		
Profit before tax	7,264	11,253
Adjustments for:		
Depreciation	715	591
Loan impairment charges and other credit risk provisions, net	5,024	2,537
Net losses on investments held at fair value through profit or loss (FVTPL)	76	177
(Profit)/Loss on sale of fixed assets	-	(2)
Income from Islamic investment activities	(343)	(306)
Interest on investments	(4,693)	(4,004)
Interest accrued on subordinated loans and compulsorily convertible bonds	611	604
Cash from operating activities before changes in operating assets and liabilities	8,654	10,850
Due from banks and other money market placements	(4,352)	1,438
Loans, advances and financing	(12,763)	(87,181)
Investment in held for trading securities	(258)	(644)
Other assets	(30,945)	7,645
Due to banks and other money market borrowings	58,496	(121,362)
Customer deposits	33,379	(208)
Certificates of deposit	(6)	(6)
Other liabilities	19,341	(9,001)
Cash from operating activities	71,546	(198,469)
Income tax paid	(4,232)	(1,296)
Net cash (used in) / from operating activities, net of tax	67,314	(199,765)
INVESTING ACTIVITIES		
Purchase of investments, net	(22,951)	(7,896)
Proceeds from sale/redemption of investments	-	7
Acquisition of property, equipment and fixtures	(2,161)	(8,781)
Income from Islamic investment activities	4	244
Interest received on investments	4,693	4,004
Net cash used in investing activities	(20,415)	(12,422)
FINANCING ACTIVITIES		
Dividends paid	(7,091)	(11,896)
Interest paid on subordinated loans	(353)	(352)
Issue of perpetual Tier 1 capital securities	-	100,000
Interest paid on perpetual Tier 1 capital securities	(7,603)	(3,843)
Issue expenses of perpetual Tier 1 capital securities	-	(191)
Net cash from/ (used in) financing activities	(15,047)	83,718
NET CHANGE IN CASH AND CASH EQUIVALENTS	31,852	(128,469)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	278,474	344,710
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	310,326	216,241
REPRESENTING:		
Cash and balances with Central Bank (other than capital deposit) (note B1)	68,321	99,064
Due from banks and other money market placements with OM of 90 days (note B2)	59,938	48,737
Investments securities with original maturity (OM) of 90 days (note B4.b)	334,725	274,145
Due to banks and other money market borrowings with OM of 90 days (note B8)	(152,658)	(205,705)
	310,326	216,241

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 31 MARCH 2020 (RO'000)

A1 Legal status and principal activities

Bank Sohar SAOG ("the Bank") was established in the Sultanate of Oman on 4 March 2007 as a public joint stock company and is primarily engaged in commercial, investment and Islamic banking through a network of thirty commercial banking branches and eight Islamic banking branches within the Sultanate of Oman. The Bank operates under commercial, investment and an Islamic banking licence issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank started commercial operations from 9 April 2007. The registered address of the Bank is PO Box 44, Hai Al Mina, Postal Code 114, Muscat, Sultanate of Oman. The Bank has its primary listing on the Muscat Securities Market.

With effect from 30 April 2013, the Bank obtained a license to operate an Islamic Banking Window ("Sohar Islamic"). Sohar Islamic offers a full range of Islamic banking services and products. The principal activities of the window include accepting Shari'a compliant customer deposits, providing Shari'a compliant financing based on Murabaha, Mudaraba, Musharaka, Ijarah, Istisna'a, Salam and providing commercial banking services, investment and other activities permitted under Islamic Banking Regulatory Framework (IBRF).

On 18 December 2018, an extraordinary meeting of the shareholders of Bank Sohar SAOG was held and the shareholders of the bank passed a resolution to amend Section (1) of the Articles of Association of the Bank to change the name of the Bank from 'Bank Sohar SAOG' to 'Sohar International Bank SAOG' (hereinafter referred to as the 'Bank'). This has been confirmed by Ministry of Commerce and Industry on 14 January 2019 by issuing new set of Company documents.

The Bank employed 883 employees as of 31 March 2020 (31 December 2019: 871, 31 March 2019: 835).

A2 Basis of preparation

These interim condensed financial statements are prepared in accordance with International Accounting Standard No.34 - "Interim Financial Reporting". Since these are interim condensed financial statements, they do not contain all information and disclosures for the full financial statements prepared in accordance with IFRS. Therefore, it should be read in conjunction with the Bank's annual financial statements as at 31 December 2019.

A2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), relevant requirements of the Commercial Companies Law of Oman, Capital Market Authority and the applicable regulations of the CBO.

In accordance with the Royal Decree 69/2012 regarding the amendment in the Banking Law 2000, CBO has issued circular no. IB - 1 under which a complete Islamic Banking Regulatory Framework (IBRF) has been promulgated. The framework identifies the permissible form of trade-related modes of financing including purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon.

The financial results of the Islamic Banking Window have been reflected in these financial statements for reporting purposes after eliminating inter branch transactions / balances. A complete set of standalone financial statements of Sohar Islamic, prepared under AAOIFI, is included in the Bank's annual report.

A2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments classified as at fair value through profit or loss (FVTPL) are measured at fair value;
- financial assets at fair value through other comprehensive income;

The statement of financial position is presented in descending order of liquidity as this presentation is more appropriate to the Bank's operations

A2.3 Functional and presentation currency

These financial statements are presented in Rial Omani, which is the Bank's functional currency. All financial information presented in Rial Omani has been rounded to the nearest thousands, unless otherwise indicated.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

A2 Basis of preparation (continued)

A2.4 Use of estimates and judgements

In preparation of the Bank's financial statements, management requires to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired loans and receivables as well as allowances for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

A3 Application of new and revised International Financial Reporting Standards (IFRS)

For the period ended 31 March 2020, the Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2020.

A4 Covid-19 and Expected Credit Loss (ECL)

The Bank has included within its March 31, 2020 ECL an element of management overlay in response to expected credit deterioration due to the economic impact of COVID-19 and lower oil prices. The impact of such an uncertain economic environment is judgmental and the Bank will continue to assess its ECL taking into account initiatives by Central Bank of Oman as well as guidance issued by the International Accounting Standards Board (IASB) on 27 March 2020.

Central Bank of Oman initiatives directly related to ECL include a) accepting requests for deferment of loan /interest/profit for affected borrowers particularly SMEs for a period of 6 months without adversely impacting the risk classification of such loans b) deferring the risk classification of loans pertaining to government projects for the period of 6 months. In response the Bank has initiated a program of payment relief for its SME customer base to address their short-term cash flow requirements. The relief offered to customers may indicate a significant increase in credit risk (SICR), however the Bank believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as such relief assists borrowers to resume regular payments. At this stage sufficient information is not available to enable the Bank to individually differentiate between a borrowers' short term cash flow constraints and a change in its lifetime credit risk.

The Bank continues to assess borrowers for other indications of default, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or of a longer term nature. The Bank continues to assess significant corporate exposures to adequately safeguard against any adverse movements due to Covid-19 in addition to industry specific account level adjustments for retail exposures with regards to specific industry sectors whose employees are expected to be most impacted.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B1 Cash and balances with Central Bank

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Cash	30,557	26,967	22,134
Capital deposit with CBO	500	505	501
Balance with CBO	37,764	62,100	76,929
	<u>68,821</u>	<u>89,572</u>	<u>99,564</u>

- (i) The Capital deposit with CBO cannot be withdrawn without CBO approval.
- (ii) During the period average minimum balance to be kept with CBO as statutory reserves is RO 74.1 million (31 December 2019: RO 76.9 million, 31 March 2019: 74.1 million).

B2 Due from banks and other money market placements

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
<i>Local currency:</i>			
Money market placements	-	5,001	-
	<u>-</u>	<u>5,001</u>	<u>-</u>
<i>Foreign currency:</i>			
Money market placements	46,379	179,042	19,296
Lending to banks	3,003	2,543	6,990
Demand balances	14,468	12,467	17,442
	<u>63,850</u>	<u>194,052</u>	<u>43,728</u>
	<u>63,850</u>	<u>199,053</u>	<u>43,728</u>
Expected credit loss allowance	(143)	(816)	(183)
	<u>63,707</u>	<u>198,237</u>	<u>43,545</u>

The analysis of changes in the gross carrying amount and corresponding ECL allowance on due from banks and other money market placements is as follows:

Gross carrying amount

	31 March 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	198,129	924	-	199,053
New assets originated or purchased	3,384	-	-	3,384
Assets derecognised or matured	(137,663)	(924)	-	(138,587)
As at 31 March 2020	<u>63,850</u>	<u>-</u>	<u>-</u>	<u>63,850</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B2 Due from banks and other money market placements (continued)

ECL	31 March 2020				31 December 2018	31 March 2019
	(Unaudited)				(Audited)	(Unaudited)
	Stage 1	Stage 2	Stage 3	Total		
As at 1 January	787	29	-	816	442	442
Net (release)/charge for the year (C6)	(644)	(29)	-	(673)	374	(259)
As at 31 March 2020	143	-	-	143	816	183

B3 Loans, advances and financing, net

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Corporate	1,662,378	1,668,479	1,637,204
Retail	905,709	901,006	790,725
Gross loans, advances and financing	2,568,087	2,569,485	2,427,929
Expected credit loss allowance	(89,085)	(99,668)	(81,138)
Contractual interest not recognised	(17,930)	(15,664)	(9,909)
	(107,015)	(115,332)	(91,047)
Net loans, advances and financing	2,461,072	2,454,153	2,336,882

Gross loans, advances and financing include RO 229.26 million (31 December 2019: RO 216.59 million, 31 March 2019: RO 194.26 million) under Islamic mode of financing through Sohar Islamic financing activities.

Loans, advances and financing comprise:

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Loans	2,320,839	2,316,094	2,134,067
Overdrafts	111,571	106,406	127,485
Loans against trust receipts	81,688	94,104	111,859
Bills discounted	53,989	52,881	54,518
Gross loans, advances and financing	2,568,087	2,569,485	2,427,929
Expected credit loss allowance	(89,085)	(99,668)	(81,138)
Contractual interest not recognised	(17,930)	(15,664)	(9,909)
	(107,015)	(115,332)	(91,047)
Net loans, advances and financing	2,461,072	2,454,153	2,336,882

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B3 Loans, advances and financing, net (continued)

The analysis of changes in the gross carrying amount and corresponding ECL allowance on loans, advances and financing is as follows:

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	2,092,096	353,416	123,973	2,569,485
New assets originated or purchased	315,751	16,010	7,862	339,623
Assets derecognised or repaid	(305,421)	(17,907)	(1,267)	(324,595)
Loans transferred to memoranda portfolio	-	-	(16,464)	(16,464)
Loans brought back from memoranda portfolio	-	-	38	38
Transfers to Stage 1	31,977	(31,953)	(24)	-
Transfers to Stage 2	(91,368)	92,013	(645)	-
Transfers to Stage 3	(758)	(34,599)	35,357	-
At 31 March 2020	2,042,277	376,980	148,830	2,568,087

ECL	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	10,811	41,745	47,112	99,668
New assets originated or purchased	223	1,010	6,459	7,692
Assets derecognised or repaid	(1,683)	(75)	(89)	(1,847)
Loans transferred to memoranda portfolio	-	-	(16,464)	(16,464)
Loans brought back from memorandum portfolio	-	-	38	38
Transfers to Stage 1	1,785	(1,777)	(8)	-
Transfers to Stage 2	(2,337)	2,625	(288)	-
Transfers to Stage 3	(77)	(4,290)	4,365	-
At 31 March 2020	8,722	39,238	41,125	89,085

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	1,825,751	437,926	76,983	2,340,660
New assets originated or purchased	822,094	169,490	18,212	1,009,796
Assets derecognised or repaid	(580,440)	(180,869)	(19,662)	(780,971)
Transfers to Stage 1	124,726	(123,077)	(1,649)	-
Transfers to Stage 2	(71,109)	72,820	(1,711)	-
Transfers to Stage 3	(28,926)	(22,874)	51,800	-
At 31 December 2019	2,092,096	353,416	123,973	2,569,485

ECL	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	12,695	33,629	33,025	79,349
New assets originated or purchased	3,028	20,995	11,781	35,804
Assets derecognised or repaid	(9,856)	(6,046)	(280)	(16,182)
Loans brought back from memorandum portfolio	-	-	697	697
Transfers to Stage 1	6,286	(5,756)	(530)	-
Transfers to Stage 2	(913)	1,675	(762)	-
Transfers to Stage 3	(429)	(2,752)	3,181	-
At 31 December 2019	10,811	41,745	47,112	99,668

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B3 Loans, advances and financing, net (continued)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
As at 1 March 2019	1,825,751	437,926	76,983	2,340,660
New assets originated or purchased	366,100	70,266	8,751	445,117
Assets derecognised or repaid	(284,181)	(64,462)	(9,205)	(357,848)
Transfers to Stage 1	100,113	(100,113)	-	-
Transfers to Stage 2	(32,450)	34,195	(1,745)	-
Transfers to Stage 3	(116)	(3,324)	3,440	-
At 31 March 2019	<u>1,975,217</u>	<u>374,488</u>	<u>78,224</u>	<u>2,427,929</u>
ECL	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
As at 1 March 2019	12,695	33,629	33,025	79,349
New assets originated or purchased	-	-	-	-
Assets derecognised or repaid	4,105	(3,570)	(535)	-
Loans brought back from memorandum accounts	(66)	1,180	(1,114)	-
Transfers to Stage 1	(12)	(705)	717	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(5,360)	7,666	(517)	1,789
At 31 March 2019	<u>11,362</u>	<u>38,200</u>	<u>31,576</u>	<u>81,138</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B3 Loans, advances and financing, net (continued)

The analysis of the changes in contractual interest not recognised is as follows:

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Contractual interest not recognised			
Balance at beginning of year	15,664	9,381	9,381
Not recognised during the period	3,502	7,960	942
Written back due to recovery	(1,236)	(1,677)	(414)
Balance at end of the period	17,930	15,664	9,909

All loans and advances require payment of interest, some at fixed rates and others at rates that reprice prior to maturity. Interest reserve account is maintained to comply with rules, regulations and guidelines issued by CBO on loans, advances and financing that are impaired. As of 31 March 2020, loans and advances on which interest was not being accrued or where interest was reserved amounted to RO 148.830 million. (31 December 2019: RO 123.973 million, 31 March 2019: 78.224).

Additional disclosures on non-performing financial assets impairment coverage as per CBO circular BM 1149 is given below:

	As per CBO	As per IFRS 9	Difference
31 March 2020 (Unaudited)			
Impairment loss charged to statement of comprehensive income	3,017	5,024	2,007
Provisions	114,217	111,469	(2,748)
Gross NPL ratio (percentage)*	5.82	5.80	(0.03)
Net NPL ratio (percentage)*	2.83	3.65	0.82

*NPL ratios are calculated on the basis of funded non-performing loans and advances.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B3 Loans, advances and financing, net (continued)

The following table compares the provision held as per IFRS 9 versus CBO circular BM 977

31 March 2020

Classification:

CBO	IFRS 9	Gross Carrying amount	CBO Provision	IFRS9 Provisions	Difference	Net carrying amount	IFRS9 Reserve interest	CBO Reserve interest
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Standard	Stage 1	2,019,465	26,136	8,649	17,487	2,010,816	-	-
	Stage 2	145,364	1,818	9,665	(7,847)	135,699	-	-
	Stage 3	179	1	106	(105)	73	45	45
Sub Total		2,165,008	27,955	18,420	9,535	2,146,588	45	45
Special mention	Stage 1	21,938	288	64	224	21,874	-	-
	Stage 2	231,221	6,112	29,483	(23,371)	201,738	-	-
	Stage 3	410	5	66	(61)	344	6	6
Sub Total		253,569	6,405	29,613	(23,208)	223,956	6	6
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	9	-	5	(5)	4	-	-
	Stage 3	40,886	8,847	9,045	(198)	31,841	952	952
Sub Total		40,895	8,847	9,050	(203)	31,845	952	952
Doubtful	Stage 1	465	-	5	(5)	460	-	-
	Stage 2	6	-	-	-	6	-	-
	Stage 3	59,841	29,142	20,514	8,628	39,327	3,102	3,102
Sub Total		60,312	29,142	20,519	8,623	39,793	3,102	3,102
Loss	Stage 1	409	-	4	(4)	405	-	-
	Stage 2	380	-	85	(85)	295	-	-
	Stage 3	47,514	23,924	29,324	(5,400)	18,190	13,825	13,825
Sub Total		48,303	23,924	29,413	(5,489)	18,890	13,825	13,825
Gross Loans, advances and financing								
	Stage 1	2,042,277	26,424	8,722	17,702	2,033,555	-	-
	Stage 2	376,980	7,930	39,238	(31,308)	337,742	-	-
	Stage 3	148,830	61,920	59,056	2,863	89,774	17,930	17,930
Sub Total		2,568,087	96,274	107,016	(10,743)	2,461,071	17,930	17,930
	Stage 1	1,355,785	15	2,892	(2,877)	1,352,893	-	-
*Due from banks,	Stage 2	123,626	-	1,485	(1,485)	122,141	-	-
Investment securities,	Stage 3	5,464	-	76	(76)	5,388	-	-
Loan commitments & Financial guarantees		1,484,875	15	4,453	(4,438)	1,480,422	-	-
Total	Stage 1	3,398,062	26,439	11,614	14,825	3,386,448	-	-
	Stage 2	500,606	7,930	40,723	(32,793)	459,883	-	-
	Stage 3	154,294	61,920	59,132	2,787	95,162	17,930	17,930
	Total	4,052,962	96,289	111,469	(15,181)	3,941,493	17,930	17,930

*Other items not covered under CBO circular BM 977 and related instructions

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B3 Loans, advances and financing, net (continued)

31 December 2019

(Audited)

Classification:								
CBO	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000	IFRS9 Reserve interest RO'000	CBO Reserve interest RO'000
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Standard	Stage 1	2,048,238	26,718	9,297	17,421	2,038,941	-	-
	Stage 2	96,916	1,269	7,263	(5,994)	89,653	-	-
	Stage 3	219	2	78	(76)	141	-	-
Sub Total		2,145,373	27,989	16,638	11,351	2,128,735	-	-
Special mention	Stage 1	39,108	460	1,400	(940)	37,708	-	-
	Stage 2	260,068	7,305	34,511	(27,206)	225,557	-	-
	Stage 3	9	-	2	(2)	7	-	-
Sub Total		299,185	7,765	35,913	(28,148)	263,272	-	-
Sub standard	Stage 1	4	-	-	-	4	-	-
	Stage 2	12	-	2	(2)	10	-	-
	Stage 3	35,321	8,568	9,727	(1,159)	25,594	1,164	1,164
Sub Total		35,337	8,568	9,729	(1,161)	25,608	1,164	1,164
Doubtful	Stage 1	448	-	5	(5)	443	-	-
	Stage 2	24	-	3	(3)	21	-	-
	Stage 3	27,148	11,230	9,105	2,125	18,043	531	531
Sub Total		27,620	11,230	9,113	2,117	18,507	531	531
Loss	Stage 1	369	-	4	(4)	365	-	-
	Stage 2	325	-	71	(71)	254	-	-
	Stage 3	61,276	37,668	43,864	(6,196)	17,412	13,969	13,969
Sub Total		61,970	37,668	43,939	(6,271)	18,031	13,969	13,969
Gross Loans, advances and financing								
	Stage 1	2,088,167	27,178	10,706	16,472	2,077,461	-	-
	Stage 2	357,345	8,574	41,850	(33,276)	315,495	-	-
	Stage 3	123,973	57,468	62,776	(5,308)	61,197	15,664	15,664
Sub Total		2,569,485	93,220	115,332	(22,112)	2,454,153	15,664	15,664
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	1,424,740	12	3,250	(3,238)	1,421,490	-	-
	Stage 2	109,776	-	1,982	(1,982)	107,794	-	-
	Stage 3	1,339	-	41	(41)	1,298	-	-
Total		1,535,855	12	5,273	(5,261)	1,530,582	-	-
Total	Stage 1	3,512,907	27,190	13,956	13,234	3,498,951	-	-
	Stage 2	467,121	8,574	43,832	(35,258)	423,289	-	-
	Stage 3	125,312	57,468	62,817	(5,349)	62,495	15,664	15,664
	Total	4,105,340	93,232	120,605	(27,373)	3,984,735	15,664	15,664

*Other items not covered under CBO circular BM 977 and related instructions

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

31 March 2019

(Unaudited)

CBO classification	IFRS 9 classification	Gross carrying amount	CBO Provision	IFRS 9 Provisions	Difference between CBO and IFRS 9	Net carrying amount	IFRS 9 Reserve interest	CBO Reserve interest
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(5)	(8)	(9)
Standard	Stage 1	1,968,106	24,192	11,339	12,853	1,956,767	-	-
	Stage 2	149,313	1,804	6,727	(4,923)	142,586	-	-
	Stage 3	214	2	134	(132)	80	-	-
Sub Total		2,117,633	25,998	18,200	7,798	2,099,433	-	-
Special mention	Stage 1	6,121	76	15	61	6,106	-	-
	Stage 2	224,307	10,682	31,178	(20,496)	193,129	-	-
	Stage 3	59	1	18	(17)	41	1	1
Sub Total		230,487	10,759	31,211	(20,452)	199,276	1	1
Substandard	Stage 1	61	-	-	-	61	-	-
	Stage 2	65	-	17	(17)	48	-	-
	Stage 3	5,847	1,418	1,810	(392)	4,037	99	99
Sub Total		5,973	1,418	1,827	(409)	4,146	99	99
Doubtful	Stage 1	272	-	3	(3)	269	-	-
	Stage 2	367	-	136	(136)	231	-	-
	Stage 3	26,192	11,077	9,855	1,222	16,337	301	301
Sub Total		26,831	11,077	9,994	1,083	16,837	301	301
Loss	Stage 1	657	-	5	(5)	652	-	-
	Stage 2	436	-	142	(142)	294	-	-
	Stage 3	45,912	25,839	19,759	6,080	26,153	9,508	9,508
Sub Total		47,005	25,839	19,906	5,933	27,099	9,508	9,508
Total	Stage 1	1,975,217	24,268	11,362	12,905	1,963,855	-	-
	Stage 2	374,488	12,485	38,200	(25,715)	336,288	-	-
	Stage 3	78,224	38,337	31,576	6,762	46,648	9,909	9,909
	Total	2,427,929	75,090	81,138	(6,048)	2,346,791	9,909	9,909

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B3 Loans, advances and financing, net (continued)

Loans with renegotiated terms are defined as loans that have been restructured due to deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

31 March 2020

(Un audited)

Classification:

CBO	IFRS 9	Gross Carrying amount	CBO Provision	IFRS9 Provisions	Difference	Net carrying amount	IFRS9 Reserve interest	CBO Reserve interest
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Classified as performing	Stage 1	21,936	-	66	(66)	21,870	-	-
	Stage 2	152,270	6,637	20,220	(13,583)	132,050	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		174,206	6,637	20,286	(13,649)	153,920	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		-	-	-	-	-	-	-
Total	Stage 1	21,936	-	66	(66)	21,870	-	-
	Stage 2	152,270	6,637	20,220	(13,583)	132,050	-	-
	Stage 3	-	-	-	-	-	-	-
Total		174,206	6,637	20,286	(13,649)	153,920	-	-

31 December 2019

(Audited)

Classification:	IFRS 9	Gross Carrying amount	CBO Provision	IFRS9 Provisions	Difference	Net carrying amount	IFRS9 Reserve interest	CBO Reserve interest
CBO		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Classified as performing	Stage 1	63,495	410	175	235	63,320	-	-
	Stage 2	165,690	7,849	24,182	(16,333)	141,508	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		229,185	8,259	24,357	(16,098)	204,828	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		-	-	-	-	-	-	-
Total	Stage 1	63,495	410	175	235	63,320	-	-
	Stage 2	165,690	7,849	24,182	(16,333)	141,508	-	-
	Stage 3	-	-	-	-	-	-	-
Total		229,185	8,259	24,357	(16,098)	204,828	-	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B3 Loans, advances and financing, net (continued)

31 March 2019

(Un Audited)

Classification:								
CBO	IFRS 9	Gross Carrying amount	CBO Provision	IFRS9 Provisions	Difference	Net carrying amount	IFRS9 Reserve interest	CBO Reserve interest
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
	Stage 1	-	-	-	-	-	-	-
Classified as performing	Stage 2	88,219	8,270	13,023	(4,753)	75,196	88,219	8,270
	Stage 3	-	-	-	-	-	-	-
Sub Total		88,219	8,270	13,023	(4,753)	75,196	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		-	-	-	-	-	-	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	88,219	8,270	13,023	(4,753)	75,196	-	-
	Stage 3	-	-	-	-	-	-	-
Total		88,219	8,270	13,023	(4,753)	75,196	-	-

B4 Investment securities

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Held at FVTPL (Fair value through profit and loss)	101,460	101,268	99,230
Held at FVOCI (Fair value through other comprehensive income)	341,004	336,355	292,695
Held at amortised cost	223,018	199,852	148,435
	665,482	637,475	540,360

B4.a Held at FVTPL

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Government development bonds – Oman	89,592	88,871	86,716
Sukuk trust certificates – secured	8,115	8,105	8,271
Unquoted securities	2,500	2,500	2,500
Others	1,253	1,792	1,743
Total	101,460	101,268	99,230

- As at 31 March 2020, unquoted securities includes an investment of RO 2.50 million in the Oman Development Fund SAOC ("Fund"). The Fund was incorporated on 7 May 2014 under license no. 1196427 with the Bank being the founder shareholder. The purpose of the Fund is to identify mid-segment industrial and manufacturing sectors that leverage Oman's unique advantages such as its infrastructure, tax treaties, geography and natural mineral resources for potential investment opportunities. The Bank currently holds a 12.66% stake in the Fund (31 December 2019: 12.66%, 31 March 2019: 12.66%). The Bank has an Investment Management Agreement with the Fund.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B4 Investment securities (continued)

B4.b Held at FVOCI

	Carrying / fair value 31 March 2020 (Unaudited)	Cost 31 March 2020 (Unaudited)	Carrying / fair value 31 December 2019 (Audited)	Cost 31 December 2019 (Audited)	Carrying / fair value 31 March 2019 (Unaudited)	Cost 31 March 2019 (Unaudited)
Unquoted securities	-	34	-	34	-	34
Quoted securities	6,307	8,535	6,357	8,535	18,550	21,172
	<u>6,307</u>	<u>8,569</u>	<u>6,357</u>	<u>8,569</u>	<u>18,550</u>	<u>21,206</u>
Treasury bills	334,725	335,020	330,026	330,572	274,145	274,893
Expected credit loss allowance	(28)	-	(28)	-	-	-
	<u>334,697</u>	<u>335,020</u>	<u>329,998</u>	<u>330,572</u>	<u>274,145</u>	<u>274,893</u>
	<u><u>341,004</u></u>	<u><u>343,589</u></u>	<u><u>336,355</u></u>	<u><u>339,141</u></u>	<u><u>292,695</u></u>	<u><u>296,099</u></u>

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000	31 December 2019 RO'000
Balance as at 1 January 2020	28	-	-	28	23
New assets originated or purchased	-	-	-	-	5
At 31 March 2020	<u>28</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>28</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B4 Investment securities (continued)

B4.c Held at amortised cost

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Quoted	224,640	201,360	149,783
Expected credit loss allowance	224,640 (1,622)	201,360 (1,508)	149,783 (1,348)
Total	223,018	199,852	148,435

The analysis of changes in the fair value and the corresponding ECL allowance on debt investments classified as held at amortised cost is as follows:

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	173,329	28,031	-	201,360
New assets originated or purchased	23,203	77	-	23,280
At 31 March 2020	196,532	28,108	-	224,640

ECL	Stage 1	Stage 2	Stage 3	Total	31 December 2019	31 March 2019
Balance as at 1 January 2020	618	890	-	1,508	996	996
New assets originated or purchased	89	25	-	114	512	352
At 31 March 2020	707	915	-	1,622	1,508	1,348

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

B5 Other assets

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Acceptances	73,891	64,381	10,411
Prepayments	2,730	2,120	3,545
Receivables	2,138	75	14
Positive fair value of derivatives	6,252	6,108	2,509
Right-to-use assets	6,212	3,827	10,396
Others	22,782	7,868	9,584
	114,005	84,379	36,459

B6 Due to banks and other money market borrowings

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
<i>Local currency:</i>			
Money market borrowings	-	7,650	28,630
Demand balances	7,079	5,748	4,008
	7,079	13,398	32,638
<i>Foreign currency:</i>			
Money market borrowings	502,364	624,979	434,411
Demand balances	-	-	6
Syndicated borrowings	96,858	96,884	212,818
	599,222	721,863	647,235
	606,301	735,261	679,873

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B7 Customer deposits

	31 March 2020 (Unaudited)		
	Conventional banking	Islamic banking	Total
Term deposits	914,871	111,597	1,026,468
Demand deposits	731,801	70,008	801,809
Saving deposits	255,805	33,346	289,151
Margin deposits	8,236	5,024	13,260
Total	1,910,713	219,975	2,130,688

	31 December 2019 (Audited)		
	Conventional banking	Islamic banking	Total
Term deposits	833,134	109,203	942,337
Demand deposits	797,715	61,999	859,714
Saving deposits	254,009	29,182	283,191
Margin deposits	6,942	5,126	12,068
Total	1,891,800	205,510	2,097,310

	31 March 2019 (Unaudited)		
	Conventional banking	Islamic banking	Total
Term deposits	920,982	112,045	1,033,027
Demand deposits	470,963	14,947	485,910
Saving deposits	242,508	39,079	281,587
Margin deposits	10,388	7,235	17,623
Total	1,644,841	173,306	1,818,147

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B8 Other liabilities

	31 March 2020 (Un audited)	31 December 2018 (Audited)	31 March 2019 (Un audited)
Acceptances	73,891	64,381	10,411
Staff entitlements	1,478	5,441	2,402
Income tax payable	6,512	9,677	4,797
Negative fair value of derivatives (B25)	467	408	905
Deferred tax liabilities	643	621	480
Dividends payable	-	-	11,896
Other accruals and provisions	24,144	14,483	28,244
Expected credit loss allowance on loan commitments and financial guarantees	2,659	2,921	5,448
Lease liability on right of use assets	5,346	2,592	9,691
Total	115,140	100,524	74,274

The analysis of changes in the gross carrying amount and corresponding ECL allowance on loan commitments, financial guarantees and acceptances is as follows:

Outstanding exposure	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	750,257	53,821	1,338	805,416
New assets originated or purchased	195,074	3,528	-	198,602
Assets derecognised or repaid	(135,030)	(6,178)	(5,942)	(147,150)
Transfers to Stage 1	800	(792)	(8)	-
Transfers to Stage 2	(26,298)	26,298	-	-
Transfers to Stage 3	(24)	(10,052)	10,076	-
Amounts written off	-	-	-	-
At 31 March 2020	784,779	66,625	5,464	856,869s

ECL

	Stage 1	Stage 2	Stage 3	Total	31 December 2019	31 March 2019
Balance as at 1 January 2020	1,817	1,063	41	2,921	4,612	4,612
New assets originated or purchased	737	201	-	938	364	836
Assets derecognised or repaid	(466)	(78)	(656)	(1,200)	(2,055)	-
Transfers to Stage 1	7	(7)	-	-	-	-
Transfers to Stage 2	(45)	45	-	-	-	-
Transfers to Stage 3	-	(691)	691	-	-	-
At 31 March 2020	2,050	533	76	2,659	2,921	5,448

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(RO'000)

B9 Share capital and Share premium

The authorised share capital of the Bank is 4,000,000,000 shares (31 December 2019: 4,000,000,000). The issued shares of the Bank are 2,434,506,735 shares (31 December 2019: 2,363,598,772 shares, 31 March 2019: 1,982,646,391 shares). The paid up share capital of the Bank is RO 245.355 million (31 December 2019: RO 236.360 million, 31 March 2019: RO 198.265 million).

During the period ended 31 March 2020, the Bank distributed 70,907,963 bonus shares equal to 3% of the issued shares as at 31 December 2019, resulting in increase in share capital by RO 7.091 million. No bonus shares were issued in the comparative period last year.

During the period the Bank has reclassified an amount of RO 1.904 million from Share Premium to Share Capital.

As of 31 March 2020, the following shareholders held 10% or more of the Bank's capital, either individually or together with related parties:

	<i>Number of shares</i>	<i>% Holding</i>
Oman Investment & Finance Co. SAOG	374,161,440	15.37
The Royal Court of Affairs	354,684,105	14.57

B10 Perpetual Tier 1 Capital Securities

The Bank issued its first Perpetual Tier 1 Capital Securities amounting to RO 100 million on 25 September 2017. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.75% with interest rate reset at five year intervals. Interest will be payable semi-annually in arrears and treated as a deduction from equity.

On 14 March 2019, the Bank issued its second Perpetual Tier 1 Capital Securities amounting to RO 100 million. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.50% with interest rate reset at five year intervals. Interest will be payable semi-annually in arrears and treated as a deduction from equity.

Both the securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. They do not have a fixed or final maturity date. The Bank may at its discretion and after prior consent from the relevant regulatory authority, exercise its option to redeem the securities in full (not in part) on the first Call Date, i.e. the 5th anniversary of the Issue Date, and on every fifth anniversary thereafter, again subject to the prior consent of the regulatory authorities. The Bank at its sole discretion may elect not to distribute interest. This is not considered as an event of default. If the Bank does not pay interest, on a scheduled interest payment date (for whatever reason), it cannot make any other distribution or payment on or with respect to its ordinary shares or any of its other Common Equity Tier 1 instruments or securities, ranking junior to or pari-passu with the Perpetual Tier 1 Capital Securities unless and until it has paid one interest payment in full on the securities. The terms of the Perpetual Tier 1 Capital Securities issuance allow the Bank to write-down (in whole or in part) any amounts due to the holders of the securities under certain circumstances.

RO 7.603 million was paid as coupon during the period ended 31 March 2020 (31 December 2019: 11.531 million, 31 March 2019: 3.843 million) and is recognised in the statement of changes in equity.

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(RO'000)

B11 Contingent liabilities and commitments

B11.a Contingent liabilities

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers, contingent upon the failure of the customer to perform under the terms of a specified contract.

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Guarantees	314,090	303,402	107,789
Documentary letters of credit	94,150	89,308	391,915
	<u>408,240</u>	<u>392,710</u>	<u>499,704</u>

B11.b Commitments

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees that are designed to meet the requirements of the Bank's customers. Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses and require the payment of a fee. Since commitments may expire without being drawn upon, the total contracted amounts do not necessarily represent future cash obligations.

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Capital commitments	17,387	15,915	1,442
Credit related commitments	374,737	348,325	521,094
	<u>392,124</u>	<u>364,240</u>	<u>522,536</u>

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(RO'000)

B12 Related party transactions

In the ordinary course of business the Bank enters into transactions with certain of its directors, shareholders, senior management, Shari'a supervisory board, Shari'a reviewer and companies in which they have a significant interest. These transactions are conducted on an arm's length basis and are approved by the Bank's management and Board of Directors.

The aggregate amount of balances and the income and expenses generated with such related parties are as follows:

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Directors & Senior management			
Loans, advances and financing at the end of period	2,656	2,661	3,011
Loans disbursed during the period	332	538	890
Loans repaid during the period	(102)	(364)	(76)
Deposits at the end of the period	890	1,387	1,593
Deposits received during the period	909	614	355
Deposits matured/paid during the period	(110)	(646)	(299)
Interest income during the period	27	102	6
Interest expense during the period	4	14	-
Directors' sitting fees and remuneration	12	190	158
Shari'a Supervisory Board members	13	47	4
Other related parties			
Loans, advances and financing at the end of period	36,818	36,727	48,899
Loans disbursed during the period	15,841	17,142	21,856
Loans repaid during the period	-	(6,468)	(4)
Deposits at the end of the period	4,787	7,004	4,032
Deposits received during the period	917	6,589	1,425
Deposits matured/paid during the period	(2,516)	(2,914)	(555)
Interest income during the period	451	3,207	91
Interest expense during the period	26	55	5

Key management compensation

Key management comprises of 7 (2019:7) senior management executives. The Bank considers these members to be key management personnel for the purpose of IAS 24 Related Party Disclosures

In the ordinary course of business, the Bank conducts transactions with certain of its key management personnel and companies in which they have a significant interest. The balances in respect of these related parties as at the reporting date are as follows:

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Loans as at end of the period	321	43	368
Deposits as at the end of the period	204	380	590
Interest Income (during the period)	4	2	1
Interest expense (during the period)	1	8	-
Salaries and other short term benefits	342	2,117	315
Post-employment benefits	10	24	8

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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(RO'000)

B12 Related party transactions (continued)

The aggregate amount of balances and the income and expenses generated with shareholders holding 10% or more of the Banks' shares are as follows:

	31 March 2020 (Un audited)	31 December 2019 (Audited)	31 March 2019 (Un audited)
Loans, advances and financing at the end of the period	8,242	8,454	-
Loans disbursed during the Period	8,488	8,453	-
Loans repaid during the period	-	-	-
Deposits at the end of the period	2,048	2,001	2,435
Deposits received during the period	48	1	40
Deposits matured/paid during the period	(1)	(395)	-
Interest income during the period	115	236	-
Interest expense during the period	22	85	-

As at 31 March 2020, no loans to related parties are classified under stage 3 (31 December 2019: nil)

B13 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the accessible principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices in active markets for the same instrument without modification or repacking;
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

The Bank considers that the fair value of financial instruments was not significantly different to their carrying value (including accrued interest) at each of those dates. The table below sets out the classification and fair value of each class of financial assets and liabilities including accrued interest.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**AS AT 31 MARCH 2020****(RO'000)****B13 Fair value of financial instruments (continued)**

At 31 March 2020 (Un audited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	68,821	-	-	68,821
Due from banks and other money market placements	63,707	-	-	63,707
Loans, advances and financing	2,461,072	-	-	2,461,072
Investments	223,018	341,004	101,460	665,482
Other assets (excluding prepayments)	111,275	-	-	111,275
Total	2,927,893	341,004	101,460	3,370,357
Liabilities				
Due to banks and other money market borrowings	606,301	-	-	606,301
Customer deposits	2,130,688	-	-	2,130,688
Other liabilities (excluding other accruals & provisions)	90,996	-	-	90,996
Subordinated loans	35,650	-	-	35,650
Certificates of deposit	503	-	-	503
Total	2,864,138	-	-	2,864,138

At 31 December 2019	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	89,572	-	-	89,572
Due from banks and other money market placements	198,237	-	-	198,237
Loans, advances and financing	2,454,153	-	-	2,454,153
Investments	199,852	336,355	101,268	637,475
Other assets (excluding prepayments)	82,259	-	-	82,259
Total	3,024,073	336,355	101,268	3,461,696
Liabilities				
Due to banks and other money market borrowings	735,261	-	-	735,261
Customer deposits	2,097,310	-	-	2,097,310
Other liabilities (excluding other accruals & provisions)	86,041	-	-	86,041
Subordinated loans	35,392	-	-	35,392
Certificates of deposit	509	-	-	509
Total	2,954,513	-	-	2,954,513

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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(RO'000)

B13 Fair value of financial instruments (continued)

At 31 March 2019 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying (including accrued interest)/fair value
Assets				
Cash and balances with Central Bank	99,564	-	-	99,564
Due from banks and other money market placements	43,545	-	-	43,545
Loans, advances and financing	2,336,882	-	-	2,336,882
Investments	148,435	292,695	99,230	540,360
Other assets (excluding prepayments)	32,914	-	-	32,914
Total	2,661,340	292,695	99,230	3,053,265
Liabilities				
Due to banks and other money market borrowings				679,873
Customers' deposits				1,818,147
Other liabilities (excluding other accruals & provisions)				46,030
Subordinated loans				35,645
Certificates of deposits				503
Total				2,580,198

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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(RO'000)

B13 Fair value of financial instruments (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period:

Financial instruments measured at fair value at the end of the reporting period:

31 March 2020 (Un audited)	Investment securities	Positive fair value of derivatives	Negative fair value of derivatives	Total
Level 1	4,859	-	-	4,859
Level 2	435,105	6,252	(467)	440,888
Level 3	2,500	-	-	2,500
	<u>442,464</u>	<u>6,252</u>	<u>(467)</u>	<u>448,246</u>

31 December 2019 (Audited)	Investments	Positive fair value of derivatives	Negative fair value of derivatives	Total
Level 1	6,357	-	-	6,357
Level 2	428,766	6,108	(408)	434,466
Level 3	2,500	-	-	2,500
	<u>437,623</u>	<u>6,108</u>	<u>(408)</u>	<u>443,323</u>

31 March 2019 (Unaudited)	Investment securities	Positive fair value of derivatives	Negative fair value of derivatives	Total
Level 1	6,999	-	-	6,999
Level 2	382,426	2,509	(905)	384,030
Level 3	2,500	-	-	2,500
	<u>391,925</u>	<u>2,509</u>	<u>(905)</u>	<u>393,529</u>

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The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts, analysed by term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

As at 31 March 2020 (Un audited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	<u>41</u>	<u>367</u>	<u>741,786</u>	<u>274,764</u>	<u>171,919</u>	<u>295,103</u>
Forward foreign exchange sales contracts	<u>6,211</u>	<u>100</u>	<u>697,755</u>	<u>243,832</u>	<u>170,986</u>	<u>282,937</u>

As at 31 December 2019 (Audited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	<u>27</u>	<u>380</u>	<u>726,706</u>	<u>339,573</u>	<u>54,163</u>	<u>332,969</u>
Forward foreign exchange sales contracts	<u>6,081</u>	<u>28</u>	<u>686,984</u>	<u>333,797</u>	<u>34,650</u>	<u>318,537</u>

As at 31 March 2019 (Un audited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	<u>3</u>	<u>903</u>	<u>387,114</u>	<u>280,900</u>	<u>64,529</u>	<u>41,685</u>
Forward foreign exchange sales contracts	<u>2,506</u>	<u>2</u>	<u>157,911</u>	<u>75,477</u>	<u>42,009</u>	<u>40,425</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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(RO'000)

C1 Interest income

	31 March 2020	31 March 2019
Loans and advances to customers	31,126	30,334
Due from banks and other money market placements	527	747
Investments	4,693	4,004
	<u>36,346</u>	<u>35,085</u>

C2 Interest expense

	31 March 2020	31 March 2019
Customer deposits	13,611	11,477
Subordinated loans	611	604
Due to banks and other money market borrowings	4,638	7,392
	<u>18,860</u>	<u>19,473</u>

C3 Net income earned from Islamic financing and investing activities**C3.a Gross income earned from Islamic financing and investing activities**

	31 March 2020	31 March 2019
Financing to customers	2,935	2,388
Due from banks and other money market placements	3	104
Investments	343	306
	<u>3,281</u>	<u>2,798</u>

C3.b Profit paid to depositors / money market borrowings

	31 March 2020	31 March 2019
Profit paid to depositors	1,686	1,340
Profit paid to banks and other money market borrowings	114	169
	<u>1,800</u>	<u>1,509</u>
Net income from Islamic financing and investing activities	<u>1,481</u>	<u>1,289</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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C4 Other operating income

	31 March 2020	31 March 2019
Fees and commission	3,516	6,085
Net gains from foreign exchange dealings	324	1,918
Bad debt recovery	(17)	2
Dividend income	260	720
Gains/(Losses) from FVTPL investments	20	(177)
	<u>4,103</u>	<u>8,548</u>

C5 Other operating expenses

	31 March 2020	31 March 2019
Operating and administration costs	2,754	2,711
Occupancy cost	975	739
Directors remuneration	-	146
Directors sitting fees	13	12
Shari'a supervisory board remuneration and sitting fees	13	4
	<u>3,754</u>	<u>3,612</u>

C6 Loan impairment charges and other credit risk provisions, net

	31 March 2020	31 March 2019
Impairment charges provided/(released) on:		
Loans, advance and financing (B3)	5,845	1,789
Loan commitments and financial guarantees (B8)	(262)	836
Due from banks and other money market placements(B2)	(673)	(259)
Debt securities at amortised cost(B4)	114	352
Debt securities at FVOCI(B4)	-	(1)
Loans written back during the period	-	(180)
	<u>5,024</u>	<u>2,537</u>
Loan impairment charges and other credit risk provisions under IFRS 9, net	5,024	2,537

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(RO'000)
C6 Loan impairment charges and other credit risk provisions, net (continued)

The breakup of expected credit loss allowance for all financial assets is as below:

	IFRS 9	CBO
Gross loans advances and financing	89,085	96,272
Due from Banks	143	15
Investment securities(amortised cost)	1,622	-
Investment securities (FVOCI)	28	-
Loan commitments and financial guarantees	2,659	-
Total	93,539	96,287
Contractual interest not recognised	17,930	17,930
Total	111,469	114,217

The analysis of changes in the ECL allowance on due from banks and other money market placements, loans, advances and financing (excluding contractual interest not recognised), investments and loan commitments and financial guarantees is as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	14,061	43,727	47,153	104,941
Expected credit losses recognised	1,048	1,264	6,458	8,770
Recoveries from expected credit losses	(2,858)	(143)	(745)	(3,746)
Loans transferred to memoranda	-	-	(16,464)	(16,464)
Loans brought back from memorandum portfolio	-	-	38	38
Transfers to Stage 1	1,821	(1,813)	(8)	-
Transfers to Stage 2	(2,382)	2,670	(288)	-
Transfers to Stage 3	(76)	(4,981)	5,057	-
At 31 March 2020	11,614	40,724	41,201	93,539

C7 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing net profit for the period by the weighted average number of shares outstanding during the period.

	31 March 2020	31 March 2019
Profit for the period	6,175	10,152
Less: Additional Tier 1 Coupon	(7,603)	(3,843)
Less: issue expenses – Additional Tier 1 capital	-	(190)
Profit for the period attributable to equity holders of the Bank after coupon and issuance cost on Additional Tier 1 capital securities	(1,428)	6,119
Weighted average number of shares outstanding during the period (in thousands)	2,434,507	2,053,554
Basic earnings per share for the period (cents / baisas)	(0.587)	2.980

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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D Financial risk management

D1 Exposure to liquidity risk

The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) is calculated in accordance with Basel III framework and guidelines adopted by CBO vide circular BM 1127 and BM 1147. The complete disclosures required under these circulars are available on the Investor Relations page of the Bank's website.

The table below summarises the maturity profile of the Bank's liabilities as on the reporting date based on contractual repayment arrangements. The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
31 March 2020					
Non – derivative liabilities					
Due to banks and other money market borrowings	606,301	620,230	162,800	223,411	234,019
Customer deposits	2,130,688	2,162,225	1,207,397	458,694	496,133
Other liabilities	115,140	115,140	115,140	-	-
Subordinated loans	35,650	43,846	350	2,107	41,389
Certificates of deposit	503	536	6	18	512
Total	2,888,282	2,941,977	1,485,693	684,230	772,053

	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
31 December 2019					
Non – derivative liabilities					
Due to banks and other money market borrowings	735,261	756,394	248,583	303,065	204,746
Customer deposits	2,097,310	2,116,992	1,199,732	428,995	488,265
Other liabilities	100,524	100,524	100,524	-	-
Subordinated loans	35,392	43,846	350	2,107	41,389
Certificates of deposit	509	542	6	18	518
Total	2,968,996	3,018,298	1,549,195	734,185	734,918

	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
31 March 2019					
Non – derivative liabilities					
Due to banks and other money market borrowings	679,873	688,973	250,594	193,268	245,111
Customer deposits	1,818,147	1,927,833	749,452	520,171	658,210
Other liabilities	74,274	74,274	74,274	-	-
Subordinated loans	35,645	45,947	870	1,581	43,496
Certificates of deposit	503	560	6	18	536
Total	2,608,442	2,737,587	1,075,196	715,038	947,353

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

D Financial risk management (continued)

D2 Capital management

D2.1 Regulatory capital

The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off balance sheet exposures weighted according to broad categories of risk.

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

	31 March 2020	31 December 2019	31 March 2019
CET 1 capital			
Ordinary share capital	245,355	236,360	198,265
Share premium	18,038	19,942	18,037
Legal reserve	28,519	28,519	24,375
General reserve	988	988	988
Subordinated loan reserve	14,000	14,000	7,000
Retained earnings	16,728	31,422	32,368
Fair value losses	(2,267)	(2,213)	(2,643)
Total CET 1 capital	321,361	329,018	278,390
Additional Tier 1 capital			
Perpetual Tier 1 Capital Securities	200,000	200,000	200,000
Total Tier 1 capital	521,361	529,018	478,390
Tier 2 capital			
Impairment allowance on portfolio basis	24,711	25,062	24,662
Fair value gains	2	-	4
Subordinated loan	21,000	21,000	28,000
Total Tier 2 capital	45,713	46,062	52,666
Total regulatory capital	567,074	575,080	531,056
Risk weighted assets			
Credit and market risks	2,902,562	2,870,164	2,684,736
Operational risk	179,749	179,749	157,920
Total risk weighted assets	3,082,311	3,049,913	2,842,656
Capital adequacy ratio			
Total regulatory capital expressed as a percentage of total risk weighted assets	18.40%	18.86 %	18.68%
Total tier I capital expressed as a percentage of total risk weighted assets	16.91%	17.35 %	16.83%
Total CET 1 capital expressed as a percentage of total risk weighted assets	10.43%	10.79 %	9.79%

The capital adequacy ratio is calculated in accordance with Basel II & Basel III requirements as adopted by CBO. Disclosures required under Basel III and circular BM-1114 dated 17 November 2013 issued by CBO are available on the Investor Relations page of the Bank's website.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**AS AT 31 MARCH 2020****(RO'000)****E Segmental information**

Segmental information is presented for the Bank's operating segments. For management purposes the Bank is organised into the following operating segments:

Retail banking:

- Including loans to and deposits from retail customers, credit card and fund transfer facilities.

Wholesale banking:

- Corporates including loans to and deposits from large and mid-sector corporates, small & medium enterprises and trade finance customers
- Government and project finance syndication including loans to and deposits from government and financial institutions, project finance and syndicated loans.
- Investments including proprietary investments, correspondent and investment banking.
- Treasury including money market instruments, derivatives and foreign exchange products

Head office

- includes balance sheet, income and expense related items that are not directly related to the Bank's operating segments

Islamic banking

- Including Islamic financing activities, current accounts, unrestricted investment accounts and other products and services to corporate and individual customers under Shari'a principles.

The CEO monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer pricing between operating segments is on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external counterparty or customer amounted to 10% or more of the Bank's total revenue in 2020 or 2019.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

E1 Segmental information (continued)

	<i>Retail banking</i>	<i>Wholesale banking</i>	<i>Head Office</i>	<i>Islamic banking</i>	<i>Total</i>
31 March 2020					
Income Statement					
Interest income	10,946	25,400	-	-	36,346
Interest expense	(5,632)	(13,228)	-	-	(18,860)
Net interest income	5,314	12,172	-	-	17,486
Net income from Islamic financing and investing activities	-	-	-	1,481	1,481
Other operating income	1,814	2,182	-	107	4,103
Total Operating income	7,128	14,354	-	1,588	23,070
Total Operating expenses	(5,018)	(4,529)	-	(1,235)	(10,782)
Net Operating Income	2,110	9,825	-	353	12,288
Impairment on FVOCI investments	-	(114)	-	-	(114)
Loan impairment charges and other credit risk provisions, net	(1,274)	(3,395)	-	(241)	(4,910)
Segment profit / (loss)	836	6,316	-	112	7,264
Income tax expense	(146)	(927)	-	(16)	(1,089)
Profit / (loss) for the period	690	5,389	-	96	6,175
Balance sheet					
Assets					
Cash and balances with Central Bank	-	60,136	-	8,685	68,821
Due from banks and other money market placements	-	63,281	-	426	63,707
Loans, advances and financing, net	776,855	1,458,508	-	225,709	2,461,072
Investment securities	-	641,875	-	23,607	665,482
Property, equipment and fixtures	-	-	38,801	1,035	39,836
Investment properties	-	-	2,900	-	2,900
Other assets	-	80,143	33,857	5	114,005
TOTAL ASSETS	776,855	2,303,943	75,558	259,467	3,415,823
Liabilities					
Due to banks and other money market borrowings	-	602,332	-	3,969	606,301
Customer deposits	402,513	1,508,200	-	219,975	2,130,688
Other liabilities	-	74,358	37,980	2,802	115,140
Subordinated loans	-	-	35,650	-	35,650
Certificates of deposit	-	503	-	-	503
TOTAL LIABILITIES	402,513	2,185,393	73,630	226,746	2,888,282
TOTAL EQUITY	-	-	493,455	34,086	527,541
	402,513	2,185,393	567,085	260,832	3,415,823

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

(RO'000)

E1 Segmental information (continued)

	Retail banking	Wholesale banking	Head Office	Islamic banking	Total
<i>31 March 2019</i>					
<i>Income Statement</i>					
Interest income	9,645	25,440	-	-	35,085
Interest expense	(4,640)	(14,833)	-	-	(19,473)
Net interest income	5,006	10,606	-	-	15,612
Net income from Islamic financing and investing activities	-	-	-	1,289	1,289
Other operating income	1,130	7,294	4	120	8,548
Total Operating income	6,136	17,900	4	1,409	25,449
Total Operating expenses	(5,953)	(4,798)	(54)	(854)	(11,659)
Net Operating Income	183	13,102	(50)	555	13,790
Impairment on FVOCI investments	-	(353)	-	-	(353)
Loan impairment charges and other credit risk provisions, net	2,172	(4,360)	-	4	(2,184)
Segment profit / (loss)	2,355	8,389	(50)	559	11,253
Income tax expense	(220)	(804)	7	(84)	(1,101)
Profit / (loss) for the period	2,135	7,585	(43)	475	10,152
<i>Balance sheet</i>					
<i>Assets</i>					
Cash and balances with Central Bank	-	81,794	-	17,770	99,564
Due from banks and other money market placements	-	21,909	-	21,636	43,545
Loans, advances and financing, net	695,679	1,449,800	-	191,403	2,336,882
Investments	-	519,353	-	21,007	540,360
Property, equipment and fixtures	-	-	26,801	1,067	27,868
Investment properties	-	-	2,900	-	2,900
Other assets	-	12,920	22,277	1,262	36,459
TOTAL ASSETS	695,679	2,085,776	51,978	254,145	3,087,578
<i>Liabilities</i>					
Due to banks and other money market borrowings	-	629,669	-	50,204	679,873
Customer deposits	398,302	1,246,539	-	173,306	1,818,147
Other liabilities	-	11,316	58,650	4,308	74,274
Subordinated loans	-	-	35,645	-	35,645
Certificates of deposit	-	503	-	-	503
TOTAL LIABILITIES	398,302	1,888,027	94,295	227,818	2,608,442
TOTAL EQUITY	-	-	451,179	27,957	479,136
	398,302	1,888,027	545,474	255,775	3,087,578

E2 Comparative figures

Certain comparative figures for 2019 have been reclassified in order to conform to the presentation for the current period. Such reclassifications do not affect previously reported net profit or shareholders' equity.