



AHLI BANK SAOG

**Interim condensed financial statements
31 March 2020**

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Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors, I'm glad to present the Chairman's Report and Financial Statements of Ahli Bank SAOG for the quarter ended 31 March 2020.

Oman and the World economies are currently facing unprecedented situation due to the pandemic caused by Covid-19. GCC economies in particular are facing the additional challenge of continuous decline in oil prices, in the past few months.

The Supreme Committee formulated under the orders of His Majesty, is taking preventive measures and various decisions to alleviate the impact of Covid-19 in the Sultanate. Central Bank of Oman has also taken various initiatives to provide sustainable impetus to Sultanate economy and Banking sector in particular amid the outbreak.

Actions taken in response to the spread of Covid-19, across the world have resulted in disruption to business, with more volatile indices, fluctuating currency exchange rates, and a marked decline in interest rates around the world. In spite of the current situation, ahlibank continued to serve its customers through various e-channels. The Bank's many branches were operational and serving its customers, with limited working hours, adhering to all the directives of the Supreme committee and the regulators.

Financial Performance

The Bank has completed 12 years since its inception as a commercial bank and continues to move ahead with steady performance in terms of asset growth and most of its key financial indicators for the period ending March 2020.

	31-Mar-20	31-Mar-19	Growth %
	RO Million		
Total assets	2,515.8	2,386.4	5.4
Loans & advances and financing, net	2,125.2	1,963.7	8.2
Customers' deposits	1,720.8	1,693.0	1.6
Equity	363.1	351.1	3.4
Operating income	18.86	17.12	10.2
Operating expenses	8.26	6.59	25.3
Profit for the period	7.01	7.41	(5.4)

The Bank's total assets grew by 5.4% as of March 2020 on a year-on-year basis to reach RO 2.51 billion. The customer deposits went up by 1.6% to reach RO 1.72 billion. Loans & advances and financing, net grew by 8.2% reaching to RO 2.13 billion. The Bank's operating income increased by 10.2% to reach RO 18.86 Million for the period ended 31- Mar-2020. The Bank maintained the Capital Adequacy Ratio of 15.9%, above the regulatory requirements. Pursuing prudent growth strategy, the Bank remains focused on high quality assets and well managed liquidity.

Achievements

In continuing to get closer to customers, Ahli Bank has relocated its Sohar Branch into a strategic location. The Bank also opened branches at the Mall of Muscat in Mabellah, Ghubra and an Islamic branch in Barka. With this the Bank now has a total of 28 branches in the Sultanate.

The first quarter of the year witnessed the Bank's announcement of the winners of the Wafra Draw 2019, which evoked a great response from customers. The draw has rewarded 970 customers, with total grand prizes worth over RO 1 million, across branches in the Sultanate. Providing account-holders with the opportunity to win big, through a wide range of prize draws in 2020 as well, Ahli Bank announced the unveiling of the 'Wafra Prize Scheme 2020'.

Ahli Islamic, also celebrated the first launch draw of the Sharia-compliant 'Qitaf' prize account 2020, and conducted a special launch draw for cash prizes of RO 50,000 to reward 50 customers, who won RO 1,000 each.

In continuation of encouraging and providing job opportunities to young Omanis aspiring to make a career in banking, Ahli Bank launched the fifth batch of the Graduate Development Program (GDP) aimed at providing job opportunities for Omani youth in different specialties.

Corporate Social Responsibility

In the light of the exceptional circumstances that the Sultanate is going through to combat the outbreak of Covid-19 pandemic and supporting the Supreme Committee's efforts in controlling the pandemic, Ahli Bank has contributed RO 1 million to Ministry of Health, during the first quarter.

As part of the constant effort to identify and augment the capabilities of talented Omani youth, Ahli Bank participated in the three-day SQU Career and Training Fair 2020. The Bank will continue to maintain a steadfast resolve to be integral to social initiatives and serve for the cause of the community at large, especially in the light of the situation at present.

Looking Ahead

The Bank remains committed to its prudent growth strategy, even in the wake of the Covid-19 pandemic. We will continue to operate branches of Ahli Bank and Ahli Islamic, within the directives from the Ministry of Health and the Supreme Committee to tailor our operations and solutions as circumstances demand. In doing so, we will continue to provide our customers with superlative products and services in an efficient, convenient and safe manner. The focus will also be on bolstering and leveraging new digital technologies to continue providing a bouquet of financial products and services to our discerning customers in a seamless manner despite the Covid-19 situation.

Acknowledgments

On behalf of the Board of Directors, we would like to pledge our support and allegiance to His Majesty Sultan Haitham Bin Tarik, in continuing the Sultanate's renaissance journey and leading the country for further prosperity and growth.

With the global economy and the Banking sector facing unprecedented challenges due to Covid-19, we remain fully supportive to the Government, the Ministry of Health, the Supreme Committee, the Central Bank of Oman, and other regulatory authorities in adhering to the procedures that protect the Sultanate and all its residents; and will continue to provide economic relief systems to support customers.

Finally, I would like to convey our acknowledgement and appreciation to the Bank's Executive Management team and employees for their loyalty and dedication to the overall achievements of the Bank, especially in the light of the present situation. Last, but certainly not the least – I would like to thank our customers, across all verticals, for the loyalty and trust reposed in us.

Hamdan Ali Nasser Al Hinai
Chairman

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AT 31 March 2020**

Audited 31-Dec-19 US\$ '000	Unaudited 31-Mar-19 US\$ '000	Unaudited 31-Mar-20 US\$ '000		Note	Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000	Audited 31-Dec-19 RO '000
ASSETS							
281,797	223,519	175,265	Cash and balances with Central Bank of Oman		67,477	86,055	108,492
130,587	173,660	117,977	Due from banks		45,421	66,859	50,276
5,337,626	5,100,647	5,519,990	Loans & advances and Financing, net	5	2,125,196	1,963,749	2,054,986
670,514	603,161	598,719	Investment securities	6	230,507	232,217	258,148
66,055	46,330	66,862	Other assets		25,742	17,837	25,431
55,049	51,130	55,608	Property, equipment and software		21,409	19,685	21,194
6,541,628	6,198,447	6,534,421	TOTAL ASSETS		2,515,752	2,386,402	2,518,527
LIABILITIES							
513,519	543,717	323,779	Due to banks		124,655	209,331	197,705
4,446,042	4,397,473	4,469,649	Customers' deposits	7	1,720,815	1,693,027	1,711,726
330,000	85,000	490,000	Borrowed funds		188,650	32,725	127,050
314	281	229	Deferred tax liability		88	108	121
196,701	194,921	263,605	Other liabilities		101,488	75,045	75,730
44,156	64,935	44,156	Subordinated liabilities		17,000	25,000	17,000
5,530,732	5,286,327	5,591,418	TOTAL LIABILITIES		2,152,696	2,035,236	2,129,332
EQUITY							
408,078	408,078	408,078	Share capital	9	157,110	157,110	157,110
82,161	74,104	82,161	Legal reserve		31,632	28,530	31,632
36,364	51,842	38,164	Subordinated debt reserve		14,693	19,959	14,000
(10,995)	(18,712)	(56,332)	Fair value reserve		(21,688)	(7,204)	(4,233)
4,917	4,964	4,917	Special reserve		1,893	1,911	1,893
24,244	20,727	26,945	Impairment reserve		10,374	7,980	9,334
144,049	100,987	116,992	Retained earnings		45,042	38,880	55,459
688,818	641,990	620,925	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK		239,056	247,166	265,195
322,078	270,130	322,078	Tier 1 Perpetual subordinated bonds		124,000	104,000	124,000
1,010,896	912,120	943,003	TOTAL EQUITY		363,056	351,166	389,195
6,541,628	6,198,447	6,534,421	TOTAL LIABILITIES AND EQUITY		2,515,752	2,386,402	2,518,527
44	43	40	Net assets value per share (US cents / baizas)	14	152	165	169
754,512	760,854	732,424	Contingent liabilities and commitments	18	281,983	292,929	290,487

The interim condensed financial statements were approved by the Board of Directors on 29 April 2020 and signed on their behalf by:

Hamdan Ali Nasser Al Hinai
Chairman

Said Abdullah Al Hatmi
Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

Three month period ended			Three month period ended		
Unaudited 31-Mar-19 US\$ '000	Unaudited 31-Mar-20 US\$ '000		Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000	
64,719	72,218	Interest income	10	27,804	24,917
(33,374)	(41,642)	Interest expense	11	(16,032)	(12,849)
31,345	30,576	NET INTEREST INCOME		11,772	12,068
11,548	13,086	Income from Islamic financing and investments		5,038	4,446
(7,509)	(4,010)	Unrestricted investment account holders' share of profit and profit expense		(1,544)	(2,891)
4,039	9,076	NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		3,494	1,555
35,384	39,652	NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		15,266	13,623
9,078	9,343	Other operating income	12	3,597	3,495
44,462	48,995	OPERATING INCOME		18,863	17,118
(4,706)	(6,213)	Net impairment on financial assets	13	(2,392)	(1,812)
39,756	42,782	NET OPERATING INCOME		16,471	15,306
(10,909)	(11,574)	Staff expenses		(4,456)	(4,200)
(1,306)	(1,584)	Depreciation		(610)	(503)
(4,891)	(8,294)	Other operating expenses		(3,193)	(1,883)
(17,106)	(21,452)	OPERATING EXPENSES		(8,259)	(6,586)
22,650	21,330	PROFIT BEFORE TAXATION		8,212	8,720
(3,397)	(3,114)	Tax expense		(1,199)	(1,308)
19,253	18,216	PROFIT FOR THE PERIOD		7,013	7,412
		OTHER COMPREHENSIVE (EXPENSE) / INCOME			
		<i>Items that will not be reclassified to profit or loss</i>			
(1,065)	(1,151)	- Equity investments at FVOCI - net changes in fair value		(443)	(410)
145	36	- Realised gain on equity investment at FVOCI		14	56
		<i>Items that may be reclassified to profit or loss</i>			
(1,865)	312	- Cash flow hedge - net changes in fair value		120	(718)
2,101	(44,499)	- Debt investments at FVOCI - net changes in fair value		(17,132)	809
(684)	(45,302)	OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD		(17,441)	(263)
18,569	(27,086)	TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		(10,428)	7,149
		Basic and diluted earnings per share (US cents / baizas)			
1	1		14	5	5

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

	Share capital		Legal reserve		General loan loss reserve		Subordinated debt reserve		Fair value reserve		Special reserve		Impairment reserve		Retained earnings		Total equity		
	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	
Balance at 1 January 2020	157,110	31,632	31,632	-	-	-	14,000	(4,233)	1,893	9,334	7,013	55,459	265,195	124,000	389,195	7,013	-	(17,441)	(10,428)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive expense, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to subordinated debt reserve	-	-	-	-	-	-	693	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to impairment reserve	-	-	-	-	-	-	-	-	-	1,040	-	-	-	-	-	-	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	-	-	-	-
Transactions with owners recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of bonus shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2020 RO (unaudited)	157,110	31,632	31,632	-	-	-	14,693	(21,688)	1,893	10,374	7,013	55,459	265,195	124,000	389,195	7,013	-	(15,711)	(10,428)
Balance at 31 March 2020 (US\$ '000) (unaudited)	408,078	82,161	82,161	-	-	-	38,164	(56,332)	4,917	26,945	17,441	116,992	620,925	322,078	943,003	17,441	-	(40,428)	(26,582)
Balance at 1 January 2019	149,629	28,530	28,530	-	-	-	18,600	(6,885)	1,927	7,710	7,412	55,469	254,980	104,000	358,980	7,412	-	(263)	-
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to subordinated debt reserve	-	-	-	-	-	-	1,359	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from special reserve	-	-	-	-	-	-	-	-	-	270	-	-	-	-	-	-	-	-	-
Transfer to impairment reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56	-	-	-	-
Transactions with owners recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of bonus shares	7,481	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2019 RO (unaudited)	157,110	28,530	28,530	-	-	-	19,959	(7,204)	1,911	7,980	7,412	55,469	254,980	104,000	358,980	7,412	-	(263)	-
Balance at 31 March 2019 (US\$ '000) (unaudited)	408,078	74,104	74,104	-	-	-	51,842	(18,712)	4,964	20,727	17,441	116,992	620,925	322,078	943,003	17,441	-	(40,428)	(26,582)
Balance at 1 April 2019	157,110	28,530	28,530	-	-	-	19,959	(7,204)	1,911	7,980	7,412	55,469	254,980	104,000	358,980	7,412	-	(263)	-
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive expense, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	3,102	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to impairment reserve	-	-	-	-	-	-	-	-	-	1,354	-	-	-	-	-	-	-	-	-
Transfer to special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from subordinated debt reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Tier 1 perpetual subordinated bond	-	-	-	-	-	-	(5,959)	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2019 RO	157,110	31,632	31,632	-	-	-	14,000	(4,233)	1,893	9,334	7,013	55,459	265,195	124,000	389,195	7,013	-	(15,711)	(10,428)
Balance at 31 December 2019 (US\$ '000)	408,078	82,161	82,161	-	-	-	36,364	(10,995)	4,917	24,244	17,441	116,992	620,925	322,078	943,003	17,441	-	(40,428)	(26,582)

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

Unaudited 31-Mar-19 US\$ '000	Unaudited 31-Mar-20 US\$ '000		Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000
CASH FLOWS FROM OPERATING ACTIVITIES				
22,650	21,330	Profit before taxation	8,212	8,720
Adjustments for:				
1,306	1,584	Depreciation	610	503
4,706	6,213	Net impairment on financial assets	2,392	1,812
68	68	End of service benefits provision	26	26
39	(468)	Unrealised loss on investments securities	(180)	15
28,769	28,727	Operating profit before working capital changes	11,060	11,076
(40,000)	(55,112)	Decrease in due to banks	(21,218)	(15,400)
(5)	(75)	End of service benefits paid	(29)	(2)
(246,452)	(188,577)	Increase in loans & advances and financing	(72,602)	(94,884)
(115)	(571)	Net movement in FVTPL investment securities	(220)	(44)
(18,432)	(808)	Increase in other assets	(311)	(7,096)
81,512	23,609	Increase in customers' deposits	9,089	31,382
81,337	32,418	Increase in other liabilities	12,481	31,315
(113,386)	(160,389)	Cash used in from operations	(61,750)	(43,653)
(9,109)	(9,514)	Tax paid	(3,663)	(3,507)
(122,495)	(169,903)	Net cash used in from operating activities	(65,413)	(47,160)
CASH FLOWS FROM INVESTING ACTIVITIES				
(6,797)	(42,429)	Increase in investment, net (excluding FVTPL investment)	(16,335)	(2,617)
(7,008)	(2,144)	Purchase of property and equipment	(825)	(2,698)
(13,805)	(44,573)	Net cash used in investing activities	(17,160)	(5,315)
CASH FLOWS FROM FINANCING ACTIVITIES				
(38,865)	-	Dividends paid	-	(14,963)
(50,000)	160,000	Increase/ (Decrease) in borrowed funds	61,600	(19,250)
(88,865)	160,000	Net cash from / (used in) financing activities	61,600	(34,213)
(225,165)	(54,476)	Net change in cash and cash equivalents	(20,973)	(86,688)
352,382	169,523	Cash and cash equivalents at 1 January	65,266	135,667
127,217	115,047	Cash and cash equivalents at 31 March	44,293	48,979
Cash and cash equivalent comprises of the following:				
31-Mar-19 US\$ '000	31-Mar-20 US\$ '000		31-Mar-20 RO '000	31-Mar-19 RO '000
222,155	173,901	Cash and current balances with Central Bank of Oman	66,952	85,530
173,660	117,977	Due from banks	45,421	66,859
164,501	60,000	Treasury bills with three months maturity	23,100	63,333
(433,099)	(236,831)	Due to banks	(91,180)	(166,743)
127,217	115,047		44,293	48,979
Reconciliation of liabilities arising from financing activities				
31-Mar-19 US\$ '000	31-Mar-20 US\$ '000		31-Mar-20 RO '000	31-Mar-19 RO '000
135,000	-	Borrowed funds	127,050	51,975
(50,000)	490,000	Balance at beginning of the period	61,600	(19,250)
-	-	Cash flows	-	-
-	-	Repayments	-	-
85,000	490,000	Balance at end of the period	188,650	32,725

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

hli Bank SAOG (the Bank) is a joint stock company incorporated in the Sultanate of Oman and is engaged in the commercial banking activities through a network of twenty eight branches (eighteen conventional and ten Islamic branches). The registered address of the Bank is PO Box 545, Mina Al Fahal, Postal Code 116, Sultanate of Oman.

The Bank employed 671 employees as at 31 March 2020 compared to 609 employees as at 31 March 2019 and 656 employees as at 31 December 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed financial statements for the three month period ended 31 March 2020 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the disclosure requirements set out in the Rules and Disclosure and Proformas issued by the Capital Market Authority (CMA).

The unaudited interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three month period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year 2020.

The accounting policies applied in these interim condensed financial statements are the same as those applied in the last annual financial statements except for changes resulting from adoption of IFRS 16-leases.

The unaudited interim condensed financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivatives and investment securities other than those measured at amortised cost.

The functional currency of the Bank is the Rial Omani (RO). These unaudited interim condensed financial statements of the Bank are prepared in RO. Certain figures are also presented in US dollars (US\$) for information purposes only, using the exchange rate of RO 0.385 = US\$ 1.00.

3. CHANGES IN ACCOUNTING POLICIES

Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The United Kingdom's Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), has announced that the interest benchmark would cease after 2021. While an alternative risk-free rate, "SOFR" has been announced, there is uncertainty as to the method and timing of transition and implications on the participants in the financial markets.

Ahlibank has following instruments which are exposed to the impact of USD LIBOR:

- Financial Assets RO 445.110 million equivalent to US\$ 1,156.131 million.
- Financial Liabilities RO 222.530 million equivalent to US\$ 578 million.

In addition, the Bank's exposure to Interest rate swaps in hedging relationships may also be impacted by LIBOR replacement. The notional value of these swaps is RO 25.849 million equivalent to US\$ 67.141 million as of 31st March 2020.

The Bank believes that, when the LIBOR ceases to exist, its contracts with interest rates based on LIBOR would adequately provide for alternate calculations of interest in the event that LIBOR is unavailable. As of now, the Bank does not anticipate any material adverse impact on its financial statements of the change based on an understanding that the replacement rate, along with relevant spreads, will be based on prevailing fair values.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

In preparing these interim condensed financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2019 except on changes made in assumptions in Expected credit losses (ECL) which is as below:

Sensitivity analysis- ECL:

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) under IFRS 9 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

31-Mar-20		Particulars	31-Mar-20	
Impact on ECL	ECL		ECL	Impact on ECL
RO'000	RO'000		RO'000	RO'000
	59,115	ECL on non impaired financial assets under IFRS 9	22,759	
(22,567)	36,548	Good scenario - 100% weighted	14,071	(8,688)
3,367	62,482	Base scenario - 100% weighted	24,056	1,296
13,894	73,009	Bad scenario - 100% weighted	28,108	5,349

31-Dec-19		Particulars	31-Dec-19	
Impact on ECL	ECL		ECL	Impact on ECL
	56,758	ECL on non impaired financial assets under IFRS 9	21,852	
(24,541)	32,218	Good scenario - 100% weighted	12,404	(9,448)
7,069	63,827	Base scenario - 100% weighted	24,574	2,722
16,528	73,286	Bad scenario - 100% weighted	28,215	6,363

For computation of ECL, the Bank considers three scenarios i.e., Base, good and bad with weightage of 50%, 25% and 25% respectively.

5. LOANS & ADVANCES AND FINANCING, NET

Audited 31-Dec-19	Unaudited 31-Mar-19	Unaudited 31-Mar-20	Unaudited 31-Mar-20	Unaudited 31-Mar-19	Audited 31-Dec-19
US\$ '000	US\$ '000	US\$ '000	RO '000	RO '000	RO '000
Conventional Banking					
3,027,847	2,940,299	3,204,447	1,233,712	1,132,015	1,165,721
1,535,210	1,450,099	1,538,803	592,439	558,288	591,056
4,563,057	4,390,398	4,743,250	1,826,151	1,690,303	1,756,777
Islamic Banking					
526,112	472,075	530,678	204,311	181,749	202,553
356,325	331,766	361,280	139,093	127,730	137,185
882,437	803,841	891,958	343,404	309,479	339,738
Loans & advances and financing, gross					
5,445,494	5,194,239	5,635,208	2,169,555	1,999,782	2,096,515
(107,868)	(93,592)	(115,218)	(44,359)	(36,033)	(41,529)
5,337,626	5,100,647	5,519,990	2,125,196	1,963,749	2,054,986

The interest rate bands of gross loans & advances and financing are as follows:

			405,877	472,540	399,634
1,038,010	1,227,378	1,054,226	0-5%		
4,045,634	3,663,319	4,209,205	5-7%	1,410,378	1,557,569
334,106	281,706	354,969	7-10%	136,663	128,631
27,744	21,836	16,808	More than 10%	6,471	8,407
5,445,494	5,194,239	5,635,208	2,169,555	1,999,782	2,096,515

The analysis of loans & advances and financing based on the residual maturity date is as below:

			595,410	542,328	544,422
1,414,083	1,408,644	1,546,519	0-1 year		
639,203	624,252	646,252	1-3 years	248,807	246,093
504,283	475,964	527,614	3-5 years	203,131	183,246
2,780,057	2,591,787	2,799,605	More than 5 years	1,077,848	997,838
5,337,626	5,100,647	5,519,990	2,125,196	1,963,749	2,054,986

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

5. LOANS & ADVANCES AND FINANCING, NET (CONTINUED)

5.1 ECL Exposure/Impairment allowance of financial assets and off balance sheet

The following tables contain an analysis of stage wise risk exposure/reconciliation of loss allowance from the opening to the closing balance of financial assets and off balance sheet items by class of financial instruments.

a) Exposure subject to ECL

	31-Mar-20			31-Mar-19			31-Dec-19			Total US\$ '000	Total RO '000	Total US\$ '000	Total RO '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000				
Due from banks	45,421	-	-	45,421	117,977	144,976	-	144,976	376,561	143,189	-	143,189	371,919
Loans & advances and financing	1,686,987	437,298	45,270	2,169,555	5,635,208	1,746,338	218,367	1,999,782	5,194,239	1,684,146	375,931	2,096,515	5,445,494
Investment securities	225,334	-	-	225,334	585,283	226,607	-	226,607	588,590	252,740	-	252,740	656,468
Other assets	10,055	6,902	-	16,957	44,044	7,719	3,247	10,966	28,483	11,708	6,843	18,551	48,184
Loan commitments and financial guarantees	217,911	63,430	-	281,341	730,756	270,402	21,657	292,059	758,595	225,252	64,200	289,452	751,823

b) Movement in Impairment allowance and provision

	31-Mar-20			31-Mar-19			31-Dec-19			Total US\$ '000	Total RO '000	Total US\$ '000	Total RO '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000				
Opening balance	3	-	-	3	8	1	-	1	3	1	-	1	3
Due from banks	6,116	14,599	20,814	41,529	107,868	6,706	10,097	17,615	34,418	6,706	10,097	17,615	34,418
Loans & advances and financing	27	-	-	27	70	24	-	24	62	24	-	24	62
Investment securities	2	9	-	11	29	7	4	11	29	7	4	11	29
Other assets	238	858	-	1,096	2,847	833	142	205	1,180	833	142	205	1,180
Loan commitments and financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-
Net transfer between stages	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans & advances and financing	1,613	(1,493)	(120)	-	1,833	(1,601)	(232)	-	-	2,279	(1,600)	(679)	-
Investment securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	(3)	3	-	-
Loan commitments and financial guarantees	(14)	14	-	-	(595)	595	-	-	-	(343)	343	-	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

5. LOANS & ADVANCES AND FINANCING, NET (CONTINUED)

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

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on restructuring of loans accounts for regulatory reporting purposes.

Disclosure requirements containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognised as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

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*	Net amount as per CBO norms*	Net amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve Interest as per CBO norms
		RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7) = (3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1 Stage 2 Stage 3	1,686,987 294,900 -	25,227 - -	5,461 - 5,002	19,766 (5,002) -	1,661,760 294,900 -	1,681,526 289,898 -	-	-
Subtotal		1,981,887	25,227	10,463	14,764	1,956,660	1,971,424	-	-
Special Mention	Stage 1 Stage 2 Stage 3	- 142,398 -	- - -	- 11,121 -	- (11,121) -	- 142,398 -	- 131,277 -	-	-
Subtotal		142,398	-	11,121	(11,121)	142,398	131,277	-	-
Substandard	Stage 1 Stage 2 Stage 3	- 10,570 -	- 2,539 -	- 2,468 -	- 71 -	- 7,615 -	- 8,102 -	-	-
Subtotal		10,570	2,539	2,468	71	7,615	8,102	-	416
Doubtful	Stage 1 Stage 2 Stage 3	- 4,249 -	- 1,815 -	- 1,891 -	- (76) -	- 2,293 -	- 2,358 -	-	-
Subtotal		4,249	1,815	1,891	(76)	2,293	2,358	-	141
Loss	Stage 1 Stage 2 Stage 3	- 30,451 -	- 25,024 -	- 18,416 -	- 6,608 -	- 2,851 -	- 12,035 -	-	-
Subtotal		30,451	25,024	18,416	6,608	2,851	12,035	-	2,576
Other items not covered under CBO circular BM 977 and related instructions*	Stage 1 Stage 2 Stage 3	498,721 70,332 -	- - -	270 904 -	(270) (904) -	498,721 70,332 -	498,451 69,428 -	-	-
Subtotal		569,053	-	1,174	(1,174)	569,053	567,879	-	-
Total	Stage 1 Stage 2 Stage 3	2,185,708 507,630 45,270	25,227 - 29,378	5,731 17,027 22,775	19,496 (17,027) 6,603	2,160,481 507,630 12,759	2,179,977 490,603 22,495	-	-
	Total in RO	2,738,608	54,605	45,533	9,072	2,680,870	2,693,075	-	3,133
	Total in US\$ '000	7,113,268	141,831	118,268	23,564	6,963,298	6,995,000	-	8,138

* Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

5. LOANS & ADVANCES AND FINANCING, NET (CONTINUED)

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

Restructured Loans

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve Interest as per CBO norms
		RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	47,036	1,893	2,193	(300)	45,143	44,843	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		47,036	1,893	2,193	(300)	45,143	44,843	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	17,815	10,050	4,944	5,106	7,092	12,871	-	673
	Stage 3	17,815	10,050	4,944	5,106	7,092	12,871	-	673
Sub total		35,630	20,100	9,888	15,742	14,184	25,742	-	-
Total		82,666	11,993	12,081	(10,888)	60,159	70,585	12,871	1,346
	Stage 1	47,036	1,893	2,193	(300)	45,143	44,843	-	-
	Stage 2	17,815	10,050	4,944	5,106	7,092	12,871	-	673
	Stage 3	17,815	10,050	4,944	5,106	7,092	12,871	-	673
	Total in RO	82,666	21,993	21,081	(10,888)	60,159	70,585	12,871	1,346
	Total in US\$ '000	168,444	31,021	18,538	(12,483)	135,675	149,906	149,906	1,748

*Net of provisions and reserve interest as per CBO norms

**The difference between CBO provision along with reserve interest and IFRS 9 provision is appropriated from the retained earnings net of tax.

5.3 Impairment charge and provisions held

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	-	2,392	-
Provisions required as per CBO norms/ held as per IFRS 9	54,605	45,533	9,072
Gross NPL ratio (percentage)	2.09%	2.09%	-
Net NPL ratio (percentage)	0.59%	1.04%	-0.45%

In accordance with CBO requirements, where the aggregate provision on portfolio & specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

6. INVESTMENT SECURITIES

Audited 31-Dec-19 US\$ '000	Unaudited 31-Mar-19 US\$ '000	Unaudited 31-Mar-20 US\$ '000		Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000	Audited 31-Dec-19 RO '000
			Equity investments:			
1,221	1,340	1,792	Measured at FVTPL	690	516	470
12,826	13,231	11,644	Designated at FVOCI	4,483	5,094	4,938
14,047	14,571	13,436	Total Equity investments	5,173	5,610	5,408
			Debt investments:			
656,467	588,590	585,283	Designated at FVOCI	225,334	226,607	252,740
670,514	603,161	598,719	Total investment securities	230,507	232,217	258,148

The table below summarises the concentration of investments by various sectors.

Audited 31-Dec-19 RO '000	Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-20 US\$ '000		Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000	Audited 31-Dec-19 RO '000
			Equity investments:			
			A. Designated at FVTPL			
			Quoted investments - Oman			
135	86	400	Banking and investment sector	154	33	52
249	203	387	Service sector	149	78	96
73		81	Manufacturing sector	31		28
			Quoted investments - Foreign			
260	268	140	Manufacturing	54	103	100
208	231	117	Construction	45	89	80
		291	Banking and investment sector	112		
		376	Service sector	145	213	114
1,221	1,340	1,792	Total	690	516	470
			B. Designated at FVOCI			
			Quoted investments - Oman			
1,758	1,795	1,662	Manufacturing	640	691	677
2,436	2,623	2,556	Banking and investment sector	984	1,010	938
4,870	5,255	4,836	Service sector	1,862	2,023	1,875
			Quoted investments - Foreign			
574	844	408	Manufacturing	157	325	221
1,345	1,281	855	Banking and investment sector	329	493	518
1,504	1,070	1,130	Service sector	435	412	579
339	363	197	Construction	76	140	130
12,826	13,231	11,644	Total	4,483	5,094	4,938

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

6. INVESTMENT SECURITIES (continued)

Audited 31-Dec-19 RO '000	Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-20 US\$ '000		Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000	Audited 31-Dec-19 RO '000
			Debt investments:			
			A. Designated at FVOCI			
			Quoted investments - Oman			
354,600	315,397	353,548	Government development bonds	136,116	121,428	136,521
45,686	41,156	51,584	Government bonds	19,860	15,845	17,589
79,842	28,922	78,304	Government sukuks	30,147	11,135	30,739
22,166	19,478	15,797	Services	6,082	7,499	8,534
49	49	31	Banking and investment	12	19	19
			Quoted investments - Foreign			
2,125	166,491	1,974	Government bonds	760	64,099	818
4,230		7,699	Services	2,964		1,629
129,961		60,000	US treasury bills	23,100		50,035
17,808	17,097	16,346	Banking and investment	6,293	6,582	6,856
656,467	588,590	585,283	Total debt investments	225,334	226,607	252,740
670,514	603,161	598,719	Total investments	230,507	232,217	258,148

7. CUSTOMERS' DEPOSITS

Customers' deposits can be analysed as follows:

Audited 31-Dec-19 US\$ '000	Unaudited 31-Mar-19 US\$ '000	Unaudited 31-Mar-20 US\$ '000		Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000	Audited 31-Dec-19 RO '000
			Conventional Banking			
2,604,927	2,507,951	2,415,769	Time deposits	930,071	965,561	1,002,897
974,681	1,129,291	1,198,816	Demand deposits	461,544	434,777	375,252
328,218	291,208	346,023	Savings deposits	133,219	112,115	126,364
3,907,826	3,928,450	3,960,608		1,524,834	1,512,453	1,504,513
			Islamic Banking			
281,036	217,545	222,686	Time deposits	85,734	83,755	108,199
108,395	120,704	122,330	Demand deposits	47,097	46,471	41,732
148,785	130,774	164,025	Savings deposits	63,150	50,348	57,282
538,216	469,023	509,041		195,981	180,574	207,213
4,446,042	4,397,473	4,469,649		1,720,815	1,693,027	1,711,726

The analysis of customer deposits based on the contractual maturity date is as below:

1,598,719	1,708,499	1,869,343	0-6 Months	719,697	657,772	615,507
205,291	318,291	158,694	6-12 months	61,097	122,542	79,037
1,880,268	1,700,610	1,662,270	1-3 years	639,974	654,735	723,903
761,764	670,073	779,342	3 years and above	300,047	257,978	293,279
4,446,042	4,397,473	4,469,649		1,720,815	1,693,027	1,711,726

Interest rate bands of deposits is as follows:

634,777	758,496	986,745	0-2%	379,897	292,021	244,389
1,613,478	2,152,356	1,461,870	2-4%	562,820	828,657	621,189
2,197,787	1,486,621	2,021,034	4-6%	778,098	572,349	846,148
4,446,042	4,397,473	4,469,649		1,720,815	1,693,027	1,711,726

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

8. RELATED PARTY TRANSACTIONS

The Bank enters into transactions with major shareholders, directors, senior management and their related entities in the ordinary course of business at mutually agreed terms and conditions.

The balances in respect of related parties included in the statement of financial position are as follows:

Audited 31-Dec-19	Unaudited 31-Mar-19	Unaudited 31-Mar-20		Unaudited 31-Mar-20	Unaudited 31-Mar-19	Audited 31-Dec-19
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
Directors and senior management						
2,332	1,605	2,358	Loans & advances and financing, net	908	618	898
2,029	1,816	1,652	Customers' deposits	636	699	781
-	10	-	- Prepaid expenses	-	4	-
Major shareholders and others						
3,782	2,735	3,639	Due from banks	1,401	1,053	1,456
1,164	1,132	738	Investment securities	284	436	448
			Other assets			
130	145	662	- Fair value of forward contracts	255	56	50
-	-	-	- Fair value of swaps	-	-	-
13,465	62,252	11,655	Due to banks	4,487	23,967	5,184
88	68	83	Customers' deposits	32	26	34
			Other liabilities			
-	16	-	- Accrued expenses	-	6	-
-	-	-	- Other payables	-	-	-
4,569	1,668	10,826	- Fair value of swaps	4,168	642	1,759
			Contingent liabilities and commitments	355	10,939	348

The income and expenses in respect of related parties included in the statement of comprehensive income are as

Audited 31-Dec-19	Unaudited 31-Mar-19	Unaudited 31-Mar-20		Unaudited 31-Mar-20	Unaudited 31-Mar-19	Audited 31-Dec-19
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
Directors and senior management						
81	16	21	Interest and profit income	8	6	31
31	8	10	Interest and profit expense	4	3	12
421	-	-	- Board remuneration proposed	-	-	162
99	31	23	Board sitting fees	9	12	38
94	23	23	Shariah supervisory board expenses	9	9	36
83	31	-	- Other operating expenses	-	12	32
Major shareholders and others						
2,677	760	59	Interest and profit expense	23	293	1,031
4,769	-	6,257	Loss on fair value of interest rate swaps	2,409	-	1,836
			Gain on foreign exchange forward	255	-	50
130	-	662	contracts			
195	18	-	- Other operating expenses	-	7	75

The Bank has rented a branch premises from a Director. In accordance with the agreement, an amount of RO Nil million equivalent to US\$ Nil million was included in the other operating expenses (31 March 2019: RO 0.012 million equivalent to US\$ 0.031 million and 31 December 2019: RO 0.047 million equivalent to US\$ 0.123 million).

As at 31 March 2020, guarantees were issued to beneficiaries on behalf of related party amounting to RO 3.056 million equivalent to US\$ 7.937 million (31 December 2019: RO 3.042 million equivalent to US\$ 7.902 million).

Compensation of the key management personnel for the three month period ended 31 March 2020 was RO 0.534 million equivalent to US\$ 1.387 million (31 March 2019: RO 0.442 million equivalent to US\$ 1.148 million).

9. SHARE CAPITAL

The authorised share capital of the Bank is 2,500,000,000 shares of 100 baizas each (31 March 2019 and 31 December 2019: 2,500,000,000 shares of 100 baizas each) out of which 1,571,102,349 (31 March 2019 and 31 December 2019: 1,496,287,951 shares) are issued and fully paid up.

Ahli United Bank BSC (AUB) is the only shareholder owning 10% or more of the Bank's shares. On 31 March 2020 shareholding of AUB was 549,885,812 shares equivalent to 35% (31 March 2019 and 31 December 2019: 549,885,812 shares equivalent to 35%).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

10. INTEREST INCOME

Interest bearing assets earned interest at an overall annualised rate of 5.43% for three months period ended 31 March 2020 (31 March 2019 - 5.36%)

Unaudited 31-Mar-19 US\$ '000	Unaudited 31-Mar-20 US\$ '000		Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000
58,909	62,426	Loans and advances	24,034	22,680
5,400	5,930	Investments	2,283	2,079
410	3,862	Due from banks	1,487	158
<u>64,719</u>	<u>72,218</u>		<u>27,804</u>	<u>24,917</u>

11. INTEREST EXPENSE

The average annualised cost of funds for three months period ended 31 March 2020 is 3.44% (31 March 2019 - 3.32%)

23,699	27,551	Time deposits	10,607	9,124
6,686	7,210	Demand and saving deposits	2,776	2,574
1,881	4,200	Borrowings	1,617	724
1,108	2,681	Inter-bank deposits	1,032	427
<u>33,374</u>	<u>41,642</u>		<u>16,032</u>	<u>12,849</u>

12. OTHER OPERATING INCOME

6,740	6,590	Fees and commission, net (refer note 12.1)	2,537	2,595
39	(468)	Gain/(loss) on sale of investments, net	(180)	15
1,795	2,571	Foreign exchange gain, net	990	691
504	650	Dividend income	250	194
<u>9,078</u>	<u>9,343</u>		<u>3,597</u>	<u>3,495</u>

12.1. DISAGGREGATION OF FEE AND COMMISSION INCOME

IFRS 15 requires the disclosure of disaggregated revenue earned from contracts with customers for major products / service lines. The below table provides disaggregation of fees and other income & commission with the Bank's reportable segments:

Particulars	31-Mar-20 wholesale			31-Mar-19		
	banking, treasury and investment		Total	Wholesale banking, treasury and investment		Total
	Retail banking	RO '000		Retail banking	RO '000	
Disaggregated income	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Service charges	186	108	294	119	109	228
Fees income	289	1,711	2,000	280	1,711	1,991
Commission income	6	341	347	3	383	386
Total fee and commission income	481	2,160	2,641	402	2,203	2,605
Fee expense	(103)	(1)	(104)	(7)	(3)	(10)
Fee and commission, net	<u>378</u>	<u>2,159</u>	<u>2,537</u>	<u>395</u>	<u>2,200</u>	<u>2,595</u>

Particulars	31-Mar-20 wholesale			31-Mar-19		
	banking, treasury and investment		Total	Wholesale banking, treasury and investment		Total
	Retail banking	US\$'000		Retail banking	US\$'000	
Disaggregated income	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Service charges	483	281	764	309	283	592
Fees income	751	4,444	5,195	727	4,444	5,171
Commission	16	886	902	8	995	1,003
Total fee and commission income	1,250	5,611	6,861	1,044	5,722	6,766
Fee expense	(268)	(3)	(271)	(18)	(8)	(26)
Fee and commission, net	<u>982</u>	<u>5,608</u>	<u>6,590</u>	<u>1,026</u>	<u>5,714</u>	<u>6,740</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

13. NET IMPAIRMENT ON FINANCIAL ASSETS

Unaudited 31-Mar-19	Unaudited 31-Mar-20		Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000
-	(5)	Net Impairment charge		
		Due from banks	(2)	-
4,194	7,352	Loans & advances and financing	2,830	1,615
8	36	Investment securities	14	3
3	10	Other assets	4	1
532	44	Loan commitments and financial guarantees	17	205
-	(29)	Loans & advances and financing written back	(11)	-
-	(530)	Recovery of loans written off earlier	(204)	-
4,737	6,878		2,648	1,824
(31)	(665)	Less: Interest reserved during the period	(256)	(12)
4,706	6,213		2,392	1,812

14. BASIC AND DILUTED EARNINGS / NET ASSETS VALUE PER SHARE

14.1 BASIC AND DILUTED EARNINGS PER SHARE

Unaudited 31-Dec-19 RO '000	Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-20 RO '000		Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000	Unaudited 31-Dec-19 RO '000
80,559	19,253	18,216	Profit for the period/year	7,013	7,412	31,015
			Weighted average number of outstanding shares during the period/year (in 000's)	1,571,102	1,571,102	1,571,102
5	1	1	Earnings per share (cents /baizas)	5	5	20

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

Earnings per share at and for the three months period ended 31 March 2020 and comparative periods have been calculated using the weighted average shares outstanding for the current period. The weighted average shares outstanding includes 146,066,205 bonus shares issued for nil consideration.

14.2 NET ASSETS VALUE PER SHARE

Audited 31-Dec-19 US\$ '000	Unaudited 31-Mar-19 US\$ '000	Unaudited 31-Mar-20 US\$ '000		Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000	Audited 31-Dec-19 RO '000
688,818	641,990	620,925	Net assets	239,056	247,166	265,195
1,571,102	1,496,288	1,571,102	Issued and paid up shares (in'000)	1,571,102	1,496,288	1,571,102
44	43	40	Net assets value per share (cents/baizas)	152	165	169

15. SEGMENT REPORTING

Segment information is presented in respect of the Bank's operating segments. For management purposes, the Bank is organised into two operating segments based on products and services as follows:

1. Retail banking includes customers' deposits, unrestricted investments accounts, consumer loans, overdrafts, credit card, Islamic financing and fund transfer facilities.
2. Wholesale banking, treasury and investments include deposits including current accounts, term deposits, loans & advances and Islamic financing etc. for corporate and institutional customers, Treasury, Trade Finance and Investment Banking Services.

The Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the profit after tax.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

15. SEGMENT INFORMATION (continued)

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on pool rate, which is approximates the cost of the funds.
Segment information is as follows:

	31-Mar-20			31-Mar-19			31-Dec-19		
	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000
Net interest income	4,542	7,230	11,772	3,832	8,236	12,068	16,872	27,863	44,735
Net income from Islamic financing and investments	866	2,628	3,494	748	807	1,555	3,199	9,105	12,304
Net interest income and income from Islamic financing and investments	5,408	9,858	15,266	4,580	9,043	13,623	20,071	36,968	57,039
Other operating income	521	3,076	3,597	401	3,094	3,495	1,838	10,872	12,710
Net operating income	5,929	12,934	18,863	4,981	12,137	17,118	21,909	47,840	69,749
Net impairment on financial assets & write off	619	(3,011)	(2,392)	(170)	(1,642)	(1,812)	(2,204)	(3,667)	(5,871)
Operating expenses	(4,520)	(3,739)	(8,259)	(3,821)	(2,765)	(6,586)	(15,823)	(11,826)	(27,649)
Profit before taxation	2,028	6,184	8,212	990	7,730	8,720	3,882	32,347	36,229
Tax expense	(296)	(903)	(1,199)	(148)	(1,160)	(1,308)	(559)	(4,655)	(5,214)
Segment profit for the period/year	1,732	5,281	7,013	842	6,570	7,412	3,323	27,692	31,015
Segment assets	723,077	1,792,675	2,515,752	678,607	1,707,795	2,386,402	722,495	1,796,032	2,518,527
Segment liabilities	313,837	1,838,859	2,152,696	257,420	1,777,816	2,035,236	297,486	1,831,846	2,129,332
US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net interest income	11,797	18,779	30,576	9,953	21,392	31,345	43,823	72,371	116,194
Net income from Islamic financing and investments	2,249	6,827	9,076	1,943	2,096	4,039	8,309	23,649	31,958
Net interest income and income from Islamic financing and investments	14,046	25,606	39,652	11,896	23,488	35,384	52,132	96,020	148,152
Other operating income	1,353	7,990	9,343	1,042	8,036	9,078	4,774	28,239	33,013
Net operating income	15,399	33,596	48,995	12,938	31,524	44,462	56,906	124,259	181,165
Net impairment on financial assets & write off	1,608	(7,821)	(6,213)	(442)	(4,264)	(4,706)	(5,725)	(9,525)	(15,249)
Operating expenses	(11,740)	(9,712)	(21,452)	(9,924)	(7,182)	(17,106)	(41,099)	(30,715)	(71,814)
Profit before taxation	5,267	16,063	21,330	2,572	20,078	22,650	10,082	84,019	94,102
Tax expense	(769)	(2,345)	(3,114)	(384)	(3,013)	(3,397)	(1,452)	(12,091)	(13,543)
Segment profit for the period/year	4,498	13,718	18,216	2,188	17,065	19,253	8,630	71,928	80,559
Segment assets	1,878,122	4,656,299	6,534,421	1,762,616	4,435,831	6,198,447	1,876,610	4,665,018	6,541,628
Segment liabilities	815,161	4,776,257	5,591,418	668,623	4,617,704	5,286,327	772,691	4,758,041	5,530,732

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FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities, other than those disclosed in the table below and in note 5, approximate their carrying values.

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.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 - Quoted prices (unadjusted) in active markets.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table contains analysis of financial instruments measured at fair value at the reporting date:

	31-Mar-20			31-Mar-19			31-Dec-19		
	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets:	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Investments at FVTPL	690	-	690	516	-	516	470	-	470
Investments at FVOCI	40,454	189,363	229,817	35,805	195,896	231,701	40,383	217,295	257,678
Derivative financial instruments	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	173	173	-	137	137
Forward foreign exchange contracts	1,471	-	1,471	738	-	738	844	-	844
	42,615	189,363	231,978	37,059	196,069	233,128	41,697	217,432	259,129
Financial liabilities									
Derivative financial instruments	-	5,650	5,650	-	147	147	-	1,873	1,873
Interest rate swaps	-	5,650	5,650	-	147	147	-	1,873	1,873
Forward foreign exchange contracts	71	-	71	264	-	264	122	-	122
	71	5,650	5,721	264	147	411	122	1,873	1,995
Financial assets:	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Investments at FVTPL	1,792	-	1,792	1,340	-	1,340	1,221	-	1,221
Investments at FVOCI	105,075	491,852	596,927	93,000	508,821	601,821	104,891	564,402	669,293
Derivative financial instruments	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	449	449	-	356	356
Forward foreign exchange contracts	3,821	-	3,821	1,917	-	1,917	2,192	-	2,192
	110,688	491,852	602,540	96,257	509,270	605,527	108,304	564,758	673,062
Financial liabilities									
Derivative financial instruments	-	14,675	14,675	-	382	382	-	4,865	4,865
Interest rate swaps	-	14,675	14,675	-	382	382	-	4,865	4,865
Forward foreign exchange contracts	184	-	184	686	-	686	317	-	317
	184	14,675	14,859	686	382	1,068	317	4,865	5,182

No financial instruments are carried at level 3 fair value as on 31 March 2020 (31 March 2019 and 31 December 2019: nil)

There are no transfers between levels of fair value measurement hierarchy during the period.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

17. DERIVATIVES

Derivative product types

Swaps are contractual agreements between two parties to exchange interest based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Forward contracts are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forward contracts are customised contracts transacted over the counter.

Derivatives held for hedging purposes

The Bank enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. As all critical terms matched, there is an economic relationship between hedged item and hedge instrument. There was no recognised ineffectiveness during 2019 and 2018 in relation to interest rate swaps.

Derivatives held for risk management purposes

The Bank has entered into interest rate swaps and forward contracts for risk management purposes which are usually not closed out prior to contractual maturity. The Bank ensures that its exposure is kept to acceptable level by buying and selling of foreign currencies in forward market when necessary to address short term imbalances.

The table below shows the assets and liabilities fair values of derivative financial instruments, together with the notional cash flows analysed by the term of their maturity.

	Assets RO '000	Liabilities RO '000	Notional cash flows RO '000
At 31 March 2020			
Derivatives for hedging:			
Interest rate swaps	-	5,650	175,368
Derivatives:			
Forward purchase contracts	-	71	214,046
Forward sales contracts	1,471	-	212,646
	US\$ 000	US\$ 000	US\$ 000
Derivatives for hedging:			
Interest rate swaps	-	14,675	455,501
Derivatives:			
Forward purchase contracts	-	184	555,964
Forward sales contracts	3,821	-	552,327
At 31 March 2019	RO '000	RO '000	RO '000
Derivatives for hedging:			
Interest rate swaps	-	147	27,143
Derivatives:			
Forward purchase contracts	-	264	433,739
Forward sales contracts	738	-	433,265
	US\$ 000	US\$ 000	US\$ 000
Derivatives for hedging:			
Interest rate swaps	-	382	70,501
Derivatives:			
Forward purchase contracts	-	686	1,126,595
Forward sales contracts	1,917	-	1,125,365
At 31 December 2019	RO '000	RO '000	RO '000
Derivatives for hedging:			
Interest rate swaps	137	1,873	136,593
Derivatives:			
Forward purchase contracts	-	122	169,662
Forward sales contracts	844	-	168,940
	US\$ 000	US\$ 000	US\$ 000
Derivatives for hedging:			
Interest rate swaps	356	4,865	354,787
Derivatives:			
Forward purchase contracts	-	-	440,681
Forward sales contracts	2,192	-	438,805

Fair values are included under other assets where positive and other liabilities where negative.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

18. CONTINGENT LIABILITIES AND COMMITMENTS

Audited 31-Dec-19 US\$ '000	Unaudited 31-Mar-19 US\$ '000	Unaudited 31-Mar-20 US\$ '000		Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000	Audited 31-Dec-19 RO '000
400,218	432,834	440,112	Financial guarantees	169,443	166,641	154,084
182,987	238,425	166,078	Letters of credit	63,940	91,794	70,450
168,618	87,335	124,566	Loan commitments	47,958	33,624	64,918
2,689	2,260	1,668	Capital commitments	642	870	1,035
754,512	760,854	732,424		281,983	292,929	290,487

19. ASSETS AND LIABILITIES MATURITY

As at 31 March 2020	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	698,658	229,110	454,155	1,133,829	2,515,752
Liabilities and equity	(487,004)	(693,428)	(683,613)	(651,707)	(2,515,752)
Net liquidity gap	211,654	(464,318)	(229,458)	482,122	0
Net liquidity gap in US \$ '000	549,751	(1,206,021)	(595,995)	1,252,265	-
As at 31 March 2019	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	702,037	212,029	424,362	1,047,974	2,386,402
Liabilities and equity	(499,270)	(642,022)	(646,012)	(599,098)	(2,386,402)
Net liquidity gap	202,767	(429,993)	(221,650)	448,876	-
Net liquidity gap in US \$ '000	526,668	(1,116,865)	(575,714)	1,165,912	-
As at 31 December 2019	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	721,392	229,407	442,737	1,124,991	2,518,527
Liabilities and equity	(554,415)	(643,023)	(796,249)	(524,840)	(2,518,527)
Net liquidity gap	166,977	(413,616)	(353,512)	600,151	-
Net liquidity gap in US \$ '000	433,706	(1,074,327)	(918,213)	1,558,834	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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20. CAPITAL MANAGEMENT

The risk asset ratio is calculated in accordance with the capital adequacy guidelines of the Basel Committee on Banking Supervision and CBO Circulars BM 1009 'Guidelines on Basel II' and BM 1114 'Regulatory Capital and Composition of Capital Disclosure requirements under Basel III' effective from 31 December 2014. As per CBO circular BSD/CB/2020/001 dated 18 March 2020, capital conversion buffer will be reduced by 50% from 2.5% to 1.25%. Accordingly, the minimum capital adequacy ratio requirement for the year is 12.25% including capital conservation buffer of 1.25% (31 December 2019: 13.50% including capital conservation buffer of 2.50%). The capital adequacy ratio working is as follows:

The following table sets out the capital adequacy position:

	Unaudited 31-Mar-20 RO '000	Unaudited 31-Mar-19 RO '000	Audited 31-Dec-19 RO '000
Common Equity Tier 1 (CET1)	224,697	230,727	233,821
Additional Tier 1	124,000	104,000	124,000
Tier 1	348,697	334,727	357,821
Tier 2	15,598	20,020	19,813
Total regulatory capital	364,295	354,747	377,634
Risk weighted assets			
Credit risk	2,091,200	1,940,944	2,056,800
Market risk	77,166	71,184	68,763
Operational risk	117,449	107,150	107,150
Total risk weighted assets	2,285,815	2,119,278	2,232,713
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	9.83%	10.89%	10.47%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.25%	15.79%	16.03%
Tier II capital expressed as a percentage of total risk-weighted assets	0.69%	0.94%	0.89%
Total regulatory capital expressed as a percentage of total risk-weighted assets	15.94%	16.74%	16.91%
	Unaudited 31-Mar-20 US\$ '000	Unaudited 31-Mar-19 US\$ '000	Audited 31-Dec-19 US\$ '000
Common Equity Tier 1 (CET1)	583,628	599,291	607,327
Additional Tier 1	322,078	270,130	322,078
Tier 1	905,706	869,421	929,405
Tier 2	40,514	52,000	51,462
Total regulatory capital	946,221	921,421	980,867
Risk weighted assets			
Credit risk	5,431,689	5,041,413	5,342,338
Market risk	200,432	184,893	178,605
Operational risk	305,062	278,311	278,312
Total risk weighted assets	5,937,183	5,504,617	5,799,255
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	9.83%	10.89%	10.47%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.25%	15.79%	16.03%
Tier II capital expressed as a percentage of total risk-weighted assets	0.69%	0.94%	0.89%
Total regulatory capital expressed as a percentage of total risk-weighted assets	15.94%	16.74%	16.91%

21. COMPARATIVE FIGURES

Corresponding figures have been rearranged and reclassified in order to conform with the presentation for the current period for the purpose of comparison and for better presentation.