



AHLI BANK SAOG

**Interim condensed financial statements
31 March 2019**

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CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board of Directors, I am glad to present the unaudited financial statements of ahlibank for the quarter ended 31 March 2019. This is based on the condensed unaudited interim financial statements reviewed by external auditors.

Oman's GDP is expected to grow by more than 4% in the year 2019. Improvement in oil prices provided a much needed relief to the economy as fiscal deficits showed improvement. The result of higher oil prices and broader hydrocarbon production gains will enable higher capital spending by the government, which will positively impact the economy and financial markets. In addition to this, the government's economic diversification efforts like enhancing private sector participation, promoting public private partnership and other various initiatives considered in the Budget 2019 will continue to develop the economy, supporting positive sentiments towards the growth of the banking sector.

Financial Performance

	31-Mar-19	31-Mar-18	Growth %
	RO Million		
Total assets	2,386.3	2,111.7	13.0%
Loans & advances and financing, net	1,963.7	1,769.1	11.0%
Customers' deposits	1,693.0	1,532.8	10.5%
Equity	351.1	291.3	20.5%
Operating income	17.12	14.93	14.7%
Operating expenses	6.59	5.71	15.4%
Profit for the period	7.41	7.05	5.1%

The Bank continued its consistent growth, showing a 5.1% increase in profit for the period as compared to Q1 2018. Total assets grew by 13% to RO 2,386.3 million and customer deposits increased by 10.5% to reach RO 1,693 million. Total equity increased to RO 351.1 million compared to RO 291.3 million to support business growth plans. Total loans & advances and financing grew by 11% reaching RO 1,963.7 million. The capital adequacy ratio of the Bank stands at 16.7%, which is above the regulatory limits.

Total operating income increased by 14.7% to RO 17.12 million as compared to RO 14.93 million in March 2018. While the Bank's operating expenses increased by 15.4% to RO 6.59 million compared to RO 5.71 million in March 2018, the cost to income ratio remained at 38.5%, one of the lowest amongst financial institutions in the Sultanate.

The Year Ahead

We believe that the combination of ahlibank's focused strategy and diversified business model will continue to create long term value for our stakeholders. We are embarking on a growth phase by expanding our branch network, placing more focus on digitalization and rolling out innovative new products. The Bank is well capitalized in terms of its capital base and is in a good position to embark on a growth phase.

We shall continue to focus on financial performance, expansion of the customer base, technological upgradation and market share. We shall continue to introduce innovative products and services to meet the needs of our customers.

We intend to preserve our initiatives and continue to strive for excellence and maximizing value for all stakeholders.

Acknowledgements

On behalf of the members of the Board of Directors, I would like to convey our gratitude to His Majesty Sultan Qaboos bin Said for his foresight and guidance in leading Oman on its path to growth and prosperity. I would also like to convey our appreciation to our regulators, the Central Bank of Oman, Capital Market Authority and guidance received from other official bodies for their continued guidance and support.

Finally, I would like to express my sincere appreciation to the Bank's management team and all our employees for their commitment and dedication to the overall success of the Bank, and above all, to our clients for their loyalty and trust in our efforts.

Hamdan Ali Nasser Al Hinai

Chairman

Dated: 30 April 2019

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AT 31 March 2019**

Audited 31-Dec-18 US\$ '000	Unaudited 31-Mar-18 US\$ '000	Unaudited 31-Mar-19 US\$ '000		Note	Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-18 RO '000	Audited 31-Dec-18 RO '000
ASSETS							
			Cash and balances with Central Bank of Oman		86,055	90,121	153,406
398,457	234,081	223,519	Due from banks		66,859	10,128	24,027
62,408	26,306	173,660	Loans & advances and Financing, net	5	1,963,749	1,769,112	1,870,677
4,858,901	4,595,096	5,100,647	Investment securities	6	232,190	204,994	214,049
555,971	532,452	603,091	Property and equipment		19,685	16,886	17,490
45,429	43,860	51,130	Other assets		17,837	20,443	10,741
27,899	53,098	46,330					
5,949,065	5,484,893	6,198,377	TOTAL ASSETS		2,386,375	2,111,684	2,290,390
LIABILITIES							
			Due to banks		209,331	160,671	146,777
381,239	417,327	543,717	Customers' deposits	7	1,693,027	1,532,764	1,661,645
4,315,961	3,981,205	4,397,473	Borrowed funds		32,725	38,500	51,975
135,000	100,000	85,000	Deferred tax liability		108	135	251
652	351	281	Other liabilities		75,045	63,274	45,762
118,863	164,347	194,921	Subordinated liabilities		25,000	25,000	25,000
64,935	64,935	64,935					
5,016,650	4,728,165	5,286,327	TOTAL LIABILITIES		2,035,236	1,820,344	1,931,410
EQUITY							
			Share capital	9	157,110	149,629	149,629
388,647	388,647	408,078	Legal reserve		28,530	25,651	28,530
74,104	66,626	74,104	Subordinated debt reserve		19,959	15,629	18,600
48,312	40,595	51,842	Fair value reserve		(7,231)	(2,518)	(6,885)
(17,883)	(6,540)	(18,782)	Special reserve		1,911	505	1,927
5,005	1,312	4,964	Impairment reserve		7,980	3,378	7,710
20,026	8,774	20,727	Retained earnings		38,880	49,066	55,469
144,074	127,444	100,987					
			TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK		247,139	241,340	254,980
			Tier 1 Perpetual subordinated bonds		104,000	50,000	104,000
270,130	129,870	270,130			351,139	291,340	358,980
932,415	756,728	912,050	TOTAL EQUITY				
			TOTAL LIABILITIES AND EQUITY		2,386,375	2,111,684	2,290,390
5,949,065	5,484,893	6,198,377					
			Net assets value per share (US cents / baizas)	13	157	161	170
44	42	41					
			Contingent liabilities and commitments	16	292,929	315,406	313,223
813,566	819,236	760,854					

The interim condensed financial statements were approved by the Board of Directors on 30 April 2019 and signed on their behalf by:

Hamdan Ali Nasser Al Hinai
Chairman

Said Abdullah Al Hatmi
Chief Executive Officer

The accompanying notes 1 to 19 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 2019**

	Share capital	Legal reserve	General		Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Tier 1 Perpetual subordinated bond		Total Equity
			loan loss reserve	Subordinated debt reserve					Total		
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1 January 2019	149,629	28,530	-	18,600	(6,885)	1,927	7,710	55,469	254,980	104,000	358,980
Profit for the period	-	-	-	-	-	-	-	7,412	7,412	-	7,412
Other comprehensive expense, net of tax	-	-	-	-	(290)	-	-	-	(290)	-	(290)
Total comprehensive income	-	-	-	-	(290)	-	-	7,412	7,122	-	7,122
Transfer to subordinated debt reserve	-	-	-	1,359	-	-	-	(1,359)	-	-	-
Transfer from special reserve	-	-	-	-	-	(16)	-	16	-	-	-
Transfer to impairment reserve	-	-	-	-	-	-	270	(270)	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	-	(56)	-	-	56	-	-	-
Transactions with owners recognised directly in equity											
Issue of bonus shares	7,481	-	-	-	-	-	-	(7,481)	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	(14,963)	(14,963)	-	(14,963)
Balance at 31 March 2019 RO (unaudited)	157,110	28,530	-	19,959	(7,231)	1,911	7,980	38,880	247,139	104,000	351,139
Balance at 31 March 2019 (US\$ '000) (unaudited)	408,078	74,104	-	51,842	(18,782)	4,964	20,727	100,987	641,920	270,130	912,050

	Share capital	Legal reserve	General		Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Tier 1 Perpetual subordinated bond		Total Equity
			loan loss reserve	Subordinated debt reserve					Total		
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
<i>Balance at 1 January 2018</i>	142,504	25,651	6,543	13,600	(122)	228	-	66,423	254,827	50,000	304,827
<i>Changes on initial application of IFRS 9</i>	-	-	(6,543)	-	(1,526)	-	1,082	1,526	(5,461)	-	(5,461)
<i>Restated balance at 1 January 2018</i>	142,504	25,651	-	13,600	(1,648)	228	1,082	67,949	249,366	50,000	299,366
Profit for the period	-	-	-	-	-	-	-	7,050	7,050	-	7,050
Other comprehensive income, net of tax	-	-	-	-	(865)	-	-	-	(865)	-	(865)
Total comprehensive income	-	-	-	-	(865)	-	-	7,050	6,185	-	6,185
Transfer to subordinated debt reserve	-	-	-	2,029	-	-	-	(2,029)	-	-	-
Transfer to special reserve	-	-	-	-	-	277	-	(277)	-	-	-
Transfer to impairment reserve	-	-	-	-	-	-	2,260	(2,260)	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	-	(5)	-	-	5	-	-	-
Technical write off of loans and advances	-	-	-	-	-	-	36	3	39	-	39
Transactions with owners recognised directly in equity											
Issue of bonus shares	7,125	-	-	-	-	-	-	(7,125)	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	(14,250)	(14,250)	-	(14,250)
Balance at 31 March 2018 RO (unaudited)	149,629	25,651	-	15,629	(2,518)	505	3,378	49,066	241,340	50,000	291,340
Balance at 31 March 2018 (US\$ '000) (unaudited)	388,647	66,626	-	40,595	(6,540)	1,312	8,774	127,444	626,858	129,870	756,728
Balance at 1 April 2018	149,629	25,651	-	15,629	(2,518)	505	3,378	49,066	241,340	50,000	291,340
Profit for the period	-	-	-	-	-	-	-	21,736	21,736	-	21,736
Other comprehensive expense, net of tax	-	-	-	-	(4,346)	-	-	-	(4,346)	-	(4,346)
Total comprehensive income	-	-	-	-	(4,346)	-	-	21,736	17,390	-	17,390
Transfer to legal reserve	-	2,879	-	-	-	-	-	(2,879)	-	-	-
Transfer to impairment reserve	-	-	-	-	-	-	4,332	(4,332)	-	-	-
Transfer to special reserve	-	-	-	-	-	1,422	-	(1,422)	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	-	(21)	-	-	21	-	-	-
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	(3,750)	(3,750)	-	(3,750)
Transfer to subordinated debt reserve	-	-	-	2,971	-	-	-	(2,971)	-	-	-
<i>Proceeds from Tier 1 perpetual subordinated bond</i>	-	-	-	-	-	-	-	-	-	54,000	54,000
Balance at 31 December 2018 RO	149,629	28,530	-	18,600	(6,885)	1,927	7,710	55,469	254,980	104,000	358,980
Balance at 31 December 2018 (US\$ '000)	388,647	74,104	-	48,312	(17,883)	5,005	20,026	144,074	662,285	270,130	932,415

Appropriation to legal reserve is made on an annual basis.

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

Unaudited 31-Mar-18 US\$ '000	Unaudited 31-Mar-19 US\$ '000		Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-18 RO '000
CASH FLOWS FROM OPERATING ACTIVITIES				
21,042	22,650	Profit before taxation	8,720	8,101
888	1,306	Adjustments for:	503	342
2,896	4,706	Depreciation	1,812	1,115
60	68	Net impairment on financial assets	26	23
42	-	End of service benefits provision	-	16
(13)	-	Unrealised loss on investments securities	-	(5)
	-	Gain on sale of investment securities	-	(5)
24,915	28,730	Operating profit before working capital changes	11,061	9,592
131,475	(40,000)	(Decrease)/increase in due to banks	(15,400)	50,618
(213)	(5)	End of service benefits paid	(2)	(82)
(352,647)	(246,452)	Increase in loans & advances and financing	(94,884)	(135,769)
347,732	(115)	Net movement in FVTPL investment securities	(44)	133,877
(18,078)	(18,432)	Increase in other assets	(7,096)	(6,960)
212,761	81,512	Increase in customers' deposits	31,382	81,913
53,614	81,337	Increase in other liabilities	31,315	20,641
399,559	(113,425)	Cash (used in)/generated from operations	(43,668)	153,830
(12,218)	(9,109)	Tax paid	(3,507)	(4,704)
387,341	(122,534)	Net cash (used in)/generated from operating activities	(47,175)	149,126
CASH FLOWS FROM INVESTING ACTIVITIES				
(353,473)	(6,758)	Increase in investment, net (excluding FVTPL investment)	(2,602)	(136,087)
(1,364)	(7,008)	Purchase of property and equipment	(2,698)	(525)
(354,837)	(13,766)	Net cash used in investing activities	(5,300)	(136,612)
CASH FLOWS FROM FINANCING ACTIVITIES				
(37,013)	(38,865)	Dividends paid	(14,963)	(14,250)
(50,000)	(50,000)	Decrease in borrowed funds	(19,250)	(19,250)
(87,013)	(88,865)	Net cash used in financing activities	(34,213)	(33,500)
(54,509)	(225,165)	Net change in cash and cash equivalents	(86,688)	(20,986)
217,680	352,382	Cash and cash equivalents at 1 January	135,667	83,807
163,171	127,217	Cash and cash equivalents at 31 March	48,979	62,821

Cash and cash equivalent comprises of the following:

31-Mar-18 US\$ '000	31-Mar-19 US\$ '000		31-Mar-19 RO '000	31-Mar-18 RO '000
232,717	222,155	Cash and current balances with Central Bank of Oman	85,530	89,596
26,306	173,660	Due from banks	66,859	10,128
90,000	164,501	Treasury bills with three months maturity	63,333	34,650
(185,852)	(433,099)	Due to banks	(166,743)	(71,553)
163,171	127,217		48,979	62,821

Reconciliation of liabilities arising from financing activities

31-Mar-18 US\$ '000	31-Mar-19 US\$ '000		31-Mar-19 RO '000	31-Mar-18 RO '000
150,000	-	Borrowed funds	51,975	57,750
(50,000)	85,000	- Balance at beginning of the period	(19,250)	(19,250)
(50,000)	-	Cash flows	-	(19,250)
100,000	85,000	- Repayments	32,725	38,500
		Balance at end of the period		

The accompanying notes 1 to 19 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 2019

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Ahli 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 three branches (fifteen conventional and eight Islamic branches). The registered address of the Bank is PO Box 545, Mina Al Fahal, Postal Code 116, Sultanate of Oman.

The Bank employed 609 employees as at 31 March 2019 compared to 545 as at 31 March 2018 and 598 as at 31 December 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed financial statements for the three month period ended 31 March 2019 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 2019 are not necessarily indicative of the results that may be expected for the financial year 2019.

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

The Bank applied IFRS 16 with a date of initial application from 1 January 2019 which has resulted in change in accounting policy, as set out below:

A. Definition of lease

At inception of contract, the Bank assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the right to direct the use of an identified asset;
- the contract has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use.

This policy is applied to contracts entered into or renewed on or after 1 January 2019. At inception or on renewal of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand alone prices.

B. As a lessee

The Bank recognises a Right of Use asset (ROU) and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred for obtaining the lease contract.

The ROU asset is subsequently depreciated using the straight line method from the commencement date until the useful life of the asset or end of lease term, whichever occurs earlier. The estimated useful lives of ROU assets are determined on the same basis of property and equipment. In addition, ROU assets are periodically tested for impairment and adjusted for losses, if any.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

3. CHANGES IN ACCOUNTING POLICIES (Continued)

B. As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate for measurement of lease liability.

Lease payments included in the measurement of lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depends on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using effective interest method. It is remeasured when there is a change in future lease payments or lease assessment whether it will exercise a purchase, extension or termination option.

Interest on lease liability during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of lease liability. Interest on lease liability is included as part of interest expense in the statement of comprehensive income and is shown separately from the depreciation charge on ROU asset.

The Bank has disclosed ROU assets under 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short term leases and leases of low value assets

The Bank has elected not to recognise ROU assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

C. Transition

The Bank applied IFRS 16 using the modified retrospective approach, under which ROU assets is measured at an amount equal to the lease liability. Accordingly, comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Under IFRS 16, the Bank recognises ROU assets and lease liabilities for most leases - i.e., these leases are on balance sheet. The Bank decided to apply recognition exemptions for short term leases/ leases of low value assets.

The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to all leases.
- Applied the exemption not to recognise ROU assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on financial statements

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Bank's incremental borrowing rate as at 1 January 2019. ROU assets are measured at an amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments using the modified retrospective approach. Accordingly on transition to IFRS 16, the bank recognised RO 1.780 million of ROU assets (equivalent US\$ 4.623 million) and RO 1.344 million of lease liabilities (equivalent US\$ 3.490 million) as at 1 January 2019 and no adjustment was carried out in the opening retained earnings as on that date. During the quarter an amount of RO 0.219 million (equivalent to US\$ 0.569 million) was recognised in statement of comprehensive income in lieu of interest cost and depreciation.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

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 2018.

5. LOANS & ADVANCES AND FINANCING, NET

Audited 31-Dec-18 US\$ '000	Unaudited 31-Mar-18 US\$ '000	Unaudited 31-Mar-19 US\$ '000		Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-18 RO '000	Audited 31-Dec-18 RO '000
			Conventional Banking			
2,748,059	2,613,883	2,940,299	Corporate lending	1,132,015	1,006,345	1,058,003
1,417,161	1,334,065	1,450,099	Retail lending	558,288	513,615	545,607
4,165,220	3,947,948	4,390,398	Loans & advances, gross	1,690,303	1,519,960	1,603,610
			Islamic Banking			
457,135	398,335	472,075	Corporate financing	181,749	153,359	175,997
325,943	322,382	331,766	Retail financing	127,730	124,117	125,488
783,078	720,717	803,841	Financing, gross	309,479	277,476	301,485
4,948,298	4,668,665	5,194,239	Loans & advances and financing, gross	1,999,782	1,797,436	1,905,095
(89,397)	(73,569)	(93,592)	Loans and financing impairment (including reserve interest and profit)	(36,033)	(28,324)	(34,418)
4,858,901	4,595,096	5,100,647		1,963,749	1,769,112	1,870,677

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

1,441,018	1,778,398	1,227,378	0-5%	472,540	684,683	554,792
3,207,574	2,577,187	3,663,319	5-7%	1,410,378	992,217	1,234,916
289,756	302,603	281,706	7-10%	108,457	116,502	111,556
9,950	10,477	21,836	More than 10%	8,407	4,034	3,831
4,948,298	4,668,665	5,194,239		1,999,782	1,797,436	1,905,095

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

1,136,005	1,087,725	1,125,626	0-1 year	433,366	418,774	437,362
101,717	78,112	113,442	1-3 years	43,675	30,073	39,161
295,800	323,990	296,758	3-5 years	114,252	124,736	113,883
3,414,776	3,178,838	3,658,413	More than 5 years	1,408,489	1,223,853	1,314,689
4,948,298	4,668,665	5,194,239		1,999,782	1,797,436	1,905,095

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

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-19					31-Mar-18					31-Dec-18				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Due from banks	144,976	-	-	144,976	376,561	10,128	-	-	10,128	26,306	168,648	-	-	168,648	438,047
Loans & advances and financing	1,746,338	218,367	35,077	1,999,782	5,194,239	1,637,275	138,231	21,930	1,797,436	4,668,665	1,706,131	166,149	32,815	1,905,095	4,948,298
Investment securities	226,607	-	-	226,607	588,590	198,167	-	-	198,167	514,719	207,851	-	-	207,851	539,872
Other assets	7,719	3,247	-	10,966	28,483	10,737	7,480	-	18,217	47,317	5,004	471	-	5,475	14,221
Loan commitments and financial guarantees	270,402	21,657	-	292,059	758,595	302,034	12,377	-	314,411	816,652	299,940	10,265	971	311,176	808,250

b) Movement in Impairment allowance and provision

	31-Mar-19					31-Mar-18					31-Dec-18				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Opening balance															
Due from banks	1	-	-	1	3	2	-	-	2	5	2	-	-	2	5
Loans & advances and financing	6,706	10,097	17,615	34,418	89,397	6,162	11,895	8,503	26,560	68,987	6,162	11,895	9,663	27,720	72,000
Investment securities	24	-	-	24	62	19	-	-	19	49	19	-	-	19	49
Other assets	7	4	-	11	29	25	129	-	154	400	25	129	-	154	400
Loan commitments and financial guarantees	833	142	205	1,180	3,065	414	1,251	-	1,665	4,325	414	1,251	-	1,665	4,325
Net transfer between stages															
Due from banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans & advances and financing	1,833	(1,601)	(232)	-	-	6,699	(6,981)	282	-	-	8,149	(6,604)	(1,545)	-	-
Investment securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	110	(110)	-	-	-
Loan commitments and financial guarantees	(595)	595	-	-	-	626	(626)	-	-	-	828	(828)	-	-	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

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

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

b) Movement in Impairment allowance and provision (continued)

	31-Mar-19					31-Mar-18					31-Dec-18				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Charge for the Period (net)	-	-	-	-	-	(1)	-	-	(1)	(3)	(1)	-	-	(1)	(3)
Due from banks	-	-	-	-	-	(1)	-	-	(1)	(3)	(1)	-	-	(1)	(3)
Loans & advances and financing*	(1,833)	2,382	1,066	1,615	4,195	(5,699)	5,186	862	349	906	(7,605)	4,806	9,497	6,698	17,397
Investment securities	3	-	-	3	8	(1)	-	-	(1)	(3)	5	-	-	5	13
Other assets	2	(1)	-	1	3	49	1,263	-	1,312	3,408	(128)	(15)	-	(143)	(371)
Loan commitments and financial guarantees	565	(203)	(157)	205	532	(509)	(40)	-	(549)	(1,426)	(409)	(281)	205	(485)	(1,260)
Closing balance															
Due from banks	1	-	-	1	3	1	-	-	1	2	1	-	-	1	3
Loans & advances and financing	6,706	10,878	18,449	36,033	93,592	7,162	10,100	9,647	26,909	69,893	6,706	10,097	17,615	34,418	89,397
Investment securities	27	-	-	27	70	18	-	-	18	46	24	-	-	24	62
Other assets	9	3	-	12	31	74	1,392	-	1,466	3,808	7	4	-	11	29
Loan commitments and financial guarantees	803	534	48	1,385	3,597	531	585	-	1,116	2,899	833	142	205	1,180	3,065

*- Charge for the period includes reserve interest movement amounting to RO 0.012 million(Equivalent US\$ 0.031 million).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

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				
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	1,745,513	23,337	6,673	16,664	1,722,176	1,738,840	-	-
	Stage 2	133,649	-	5,035	(5,035)	133,649	128,614	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		1,879,162	23,337	11,708	11,629	1,855,825	1,867,454	-	-
Special Mention	Stage 1	825	55	33	22	770	792	-	-
	Stage 2	84,718	-	5,843	(5,843)	84,718	78,875	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		85,543	55	5,876	(5,821)	85,488	79,667	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,709	2,654	5,297	(2,643)	7,962	5,412	-	93
Subtotal		10,709	2,654	5,297	(2,643)	7,962	5,412	-	93
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,321	1,986	2,104	(118)	2,199	2,217	-	136
Subtotal		4,321	1,986	2,104	(118)	2,199	2,217	-	136
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	20,047	15,264	11,048	4,216	2,870	8,999	-	1,913
Subtotal		20,047	15,264	11,048	4,216	2,870	8,999	-	1,913
Other items not covered under CBO circular BM 977 and related instructions*	Stage 1	649,705	-	841	(841)	649,705	648,864	-	-
	Stage 2	24,904	-	536	(536)	24,904	24,368	-	-
	Stage 3	156	-	48	(48)	156	108	-	-
Subtotal		674,765	-	1,425	(1,425)	674,765	673,340	-	-
Total	Stage 1	2,396,043	23,392	7,547	15,845	2,372,651	2,388,496	-	-
	Stage 2	243,271	-	11,414	(11,414)	243,271	231,857	-	-
	Stage 3	35,233	19,904	18,497	1,407	13,187	16,736	-	2,142
	Total in RO	2,674,547	43,296	37,458	5,838	2,629,109	2,637,089	-	2,142
	Total in US\$ '000	6,946,876	112,457	97,294	15,164	6,828,855	6,849,582	-	5,564

* 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 2019**

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				
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	25,198	1,910	3,431	(1,521)	23,288	21,767	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		25,198	1,910	3,431	(1,521)	23,288	21,767	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	5,654	4,801	2,650	2,151	676	3,004	-	177
Sub total		5,654	4,801	2,650	2,151	676	3,004	-	177
Total	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	25,198	1,910	3,431	(1,521)	23,288	21,767	-	-
	Stage 3	5,654	4,801	2,650	2,151	676	3,004	-	177
	Total in RO	30,852	6,711	6,081	630	23,964	24,771	-	177
	Total in US\$ '000	80,135	17,431	15,795	1,636	62,244	64,340	-	460

*Net of provisions and reserve interest as per CBO norms

5.3 Impairment charge and provisions held

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	-	1,812	-
Provisions required as per CBO norms/ held as per IFRS 9	43,296	37,458	5,838
Gross NPL ratio (percentage)	1.76%	1.76%	-
Net NPL ratio (percentage)	0.66%	0.84%	-0.18%

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 2019**

6. INVESTMENT SECURITIES

Audited 31-Dec-18 US\$ '000	Unaudited 31-Mar-18 US\$ '000	Unaudited 31-Mar-19 US\$ '000		Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-18 RO '000	Audited 31-Dec-18 RO '000
			Equity investments:			
1,226	1,590	1,340	Designated at FVTPL	516	612	472
14,935	16,190	13,231	Designated at FVOCI	5,094	6,233	5,750
16,161	17,780	14,571	Total Equity investments	5,610	6,845	6,222
			Debt investments:			
539,872	514,719	588,590	Designated at FVOCI	226,607	198,167	207,851
539,872	514,719	588,590	Gross debt investments	226,607	198,167	207,851
(62)	(47)	(70)	Less: Impairment allowance	(27)	(18)	(24)
539,810	514,672	588,520	Net debt investments	226,580	198,149	207,827
555,971	532,452	603,091	Total investment securities	232,190	204,994	214,049

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

Audited 31-Dec-18 RO '000	Unaudited 31-Mar-18 RO '000	Unaudited 31-Mar-19 US\$ '000		Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-18 RO '000	Audited 31-Dec-18 RO '000
			Equity investments:			
			A. Designated at FVTPL			
			Quoted investments - Oman			
81	-	86	Banking and investment sector	33	-	31
195	265	203	Service sector	78	102	75
			Quoted investments - Foreign			
283	306	268	Manufacturing	103	118	109
203	288	231	Construction	89	111	78
464	731	552	Service sector	213	281	179
1,226	1,590	1,340	Total	516	612	472
			B. Designated at FVOCI			
			Quoted investments - Oman			
1,969	2,870	1,795	Manufacturing	691	1,105	758
2,795	3,392	2,623	Banking and investment sector	1,010	1,306	1,076
6,169	5,751	5,255	Service sector	2,023	2,214	2,375
			Quoted investments - Foreign			
1,291	1,457	844	Manufacturing	325	561	497
1,410	1,353	1,281	Banking and investment sector	493	521	543
909	1,039	1,070	Service sector	412	400	350
392	328	363	Construction	140	126	151
14,935	16,190	13,231	Total	5,094	6,233	5,750

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

6. INVESTMENT SECURITIES (continued)

Audited 31-Dec-18 RO '000	Unaudited 31-Mar-18 RO '000	Unaudited 31-Mar-19 US\$ '000		Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-18 RO '000	Audited 31-Dec-18 RO '000
			Debt investments:			
			A. Designated at FVOCI			
			Quoted investments - Oman			
317,846	320,143	315,397	Government development bonds	121,428	123,255	122,371
33,361	38,408	41,156	Government bonds	15,845	14,787	12,844
28,886	29,021	28,922	Government sukuks	11,135	11,173	11,121
18,247	20,540	19,478	Services	7,499	7,908	7,025
49	70	49	Banking and investment	19	27	19
			Quoted investments - Foreign			
125,483	90,000	166,491	Government bonds	64,099	34,650	48,311
16,000	16,537	17,097	Banking and investment	6,582	6,367	6,160
539,872	514,719	588,590	Total	226,607	198,167	207,851
(62)	(47)	(70)	Less: Impairment allowance	(27)	(18)	(24)
539,810	514,672	588,520	Total debt investments	226,580	198,149	207,827
555,971	532,452	603,091	Total investments	232,190	204,994	214,049

7. CUSTOMERS' DEPOSITS

Customers' deposits can be analysed as follows:

Audited 31-Dec-18 US\$ '000	Unaudited 31-Mar-18 US\$ '000	Unaudited 31-Mar-19 US\$ '000		Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-18 RO '000	Audited 31-Dec-18 RO '000
			Conventional Banking			
2,329,143	2,050,644	2,507,951	Time deposits	965,561	789,498	896,720
1,196,647	1,053,390	1,129,291	Demand deposits	434,777	405,555	460,709
278,706	245,377	291,208	Savings deposits	112,115	94,470	107,302
3,804,496	3,349,411	3,928,450		1,512,453	1,289,523	1,464,731
			Islamic Banking			
226,099	361,990	217,545	Time deposits	83,755	139,366	87,048
153,717	143,995	120,704	Demand deposits	46,471	55,438	59,181
131,649	125,809	130,774	Savings deposits	50,348	48,437	50,685
511,465	631,794	469,023		180,574	243,241	196,914
4,315,961	3,981,205	4,397,473		1,693,027	1,532,764	1,661,645

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

1,921,086	1,732,109	1,708,499	0-6 Months	657,772	666,862	739,618
327,683	221,335	318,291	6-12 months	122,542	85,214	126,158
1,334,797	1,392,031	1,700,610	1-3 years	654,735	535,932	513,897
732,395	635,730	670,073	3 years and above	257,978	244,756	281,972
4,315,961	3,981,205	4,397,473		1,693,027	1,532,764	1,661,645

Interest rate bands of deposits is as follows:

599,966	864,969	758,496	0-2%	292,021	333,013	230,987
2,445,052	2,386,868	2,152,356	2-4%	828,657	918,944	941,345
1,270,943	729,368	1,486,621	4-6%	572,349	280,807	489,313
4,315,961	3,981,205	4,397,473		1,693,027	1,532,764	1,661,645

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

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-18	Unaudited 31-Mar-18	Unaudited 31-Mar-19		Unaudited 31-Mar-19	Unaudited 31-Mar-18	Audited 31-Dec-18
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
Directors and senior management						
1,587	1,413	1,605	Loans & advances and financing, net	618	544	611
1,494	2,558	1,816	Customers' deposits	699	985	575
42	21	10	Prepaid expenses	4	8	16
Major shareholders and others						
3,182	2,299	2,735	Due from banks	1,053	885	1,225
1,099	1,234	1,132	Investment securities	436	475	423
			Other assets			
379	652	145	- Fair value of forward contracts	56	251	146
127	1,561	-	- Fair value of swaps	-	601	49
100,719	105,810	62,252	Due to banks	23,967	40,737	38,777
8	70	68	Customers' deposits	26	27	3
			Other liabilities			
16	-	16	- Accrued expenses	6	-	6
-	571	-	- Other payables	-	220	-
-	-	1,668	- Fair value of swaps	642	-	-
28,982	31,730	28,413	Contingent liabilities and commitments	10,939	12,216	11,158

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

Audited 31-Dec-18	Unaudited 31-Mar-18	Unaudited 31-Mar-19		Unaudited 31-Mar-19	Unaudited 31-Mar-18	Audited 31-Dec-18
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
Directors and senior management						
52	13	16	Interest and profit income	6	5	20
34	13	8	Interest and profit expense	3	5	13
416	-	-	- Board remuneration proposed	-	-	160
104	29	31	Board sitting fees	12	11	40
94	23	23	Shariah supervisory board expenses	9	9	36
122	31	31	Other operating expenses	12	12	47
Major shareholders and others						
3	3	-	- Interest and profit income	-	1	1
4,622	332	760	Interest and profit expense	293	128	1,779
	5		Other operating income		2	
-	1,442	-	- Gain on fair value of interest rate	-	555	-
-	652	-	- Gain on foreign exchange forward	-	251	-
714	429	18	Other operating expenses	7	165	275

The Bank has a committed line of loans from one of the related parties of RO NIL equivalent to US\$ NIL (31 March 2018: RO 57.700 million equivalent to US\$ 149.870 million and 31 December 2018: RO NIL equivalent to US\$ NIL).

The Bank has rented a branch premises from a Director. In accordance with the agreement, an amount of RO 0.012 million equivalent to US\$ 0.031 million was included in the other operating expenses (31 March 2018: RO 0.012 million equivalent to US\$ 0.031 million and 31 December 2018: RO 0.047 million equivalent to US\$ 0.123 million).

Compensation of the key management personnel for the three month period ended 31 March 2019 was RO 0.442 million equivalent to US\$ 1.148 million (31 March 2018: RO 0.321 million equivalent to US\$ 0.834 million).

9. SHARE CAPITAL

The authorised share capital of the Bank is 2,500,000,000 shares of 100 baizas each (31 March 2018 and 31 December 2018: 2,500,000,000 shares of 100 baizas each) out of which 1,571,102,349 (31 March 2018 and 31 December 2018: 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 2019 shareholding of AUB was 549,885,812 shares equivalent to 35% (31 March 2018 and 31 December 2018: 523,700,774 shares equivalent to 35%).

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**
10. INTEREST INCOME

Unaudited 31-Mar-18 US\$ '000	Unaudited 31-Mar-19 US\$ '000		Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-18 RO '000
49,896	58,909	Loans and advances	22,680	19,210
4,745	5,400	Investments	2,079	1,827
162	410	Due from banks	158	62
<u>54,803</u>	<u>64,719</u>		<u>24,917</u>	<u>21,099</u>

11. INTEREST EXPENSE

16,995	23,699	Time deposits	9,124	6,543
6,239	6,686	Demand and saving deposits	2,574	2,402
1,914	1,881	Borrowings	724	737
1,208	1,108	Inter-bank deposits	427	465
<u>26,356</u>	<u>33,374</u>		<u>12,849</u>	<u>10,147</u>

12. OTHER OPERATING INCOME

4,829	6,740	Fees and commission, net (refer note 12.1)	2,595	1,859
(42)	39	Gain/(loss) on sale of investments, net	15	(16)
1,042	1,795	Foreign exchange gain, net	691	401
496	504	Dividend income	194	191
<u>6,325</u>	<u>9,078</u>		<u>3,495</u>	<u>2,435</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-19 wholesale banking, treasury and investment banking			31-Mar-18 Wholesale banking, treasury and investment banking		
	Retail banking RO '000	investment banking RO '000	Total RO '000	Retail banking RO '000	investment banking RO '000	Total RO '000
Disaggregated income						
Service charges	119	109	228	119	110	229
Fees income	280	1,711	1,991	251	1,072	1,323
Commission income	3	383	386	2	376	378
Total fee and commission income	402	2,203	2,605	372	1,558	1,930
Fee expense	(7)	(3)	(10)	(66)	(5)	(71)
Fee and commission, net	395	2,200	2,595	306	1,553	1,859

Particulars	31-Mar-19 wholesale banking, treasury and investment banking			31-Mar-18 Wholesale banking, treasury and investment banking		
	Retail banking US\$'000	investment banking US\$'000	Total US\$'000	Retail banking US\$'000	investment banking US\$'000	Total US\$'000
Disaggregated income						
Service charges	309	283	592	309	286	595
Fees income	727	4,444	5,171	652	2,784	3,436
Commission	8	995	1,003	5	977	982
Total fee and commission income	1,044	5,722	6,766	966	4,047	5,013
Fee expense	(18)	(8)	(26)	(171)	(13)	(184)
Fee and commission, net	1,026	5,714	6,740	795	4,034	4,829

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

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

13.1 BASIC AND DILUTED EARNINGS PER SHARE

Unaudited 31-Dec-18	Unaudited 31-Mar-18	Unaudited 31-Mar-19		Unaudited 31-Mar-19	Unaudited 31-Mar-18	Unaudited 31-Dec-18
RO '000	RO '000	RO '000		RO '000	RO '000	RO '000
74,771	18,312	19,253	Profit for the period/year	7,412	7,050	28,786
1,571,102	1,571,102	1,571,102	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	18

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 2019 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.

13.2 NET ASSETS VALUE PER SHARE

Audited 31-Dec-18	Unaudited 31-Mar-18	Unaudited 31-Mar-19		Unaudited 31-Mar-19	Unaudited 31-Mar-18	Unaudited 31-Dec-18
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
662,285	626,858	641,920	Net assets	247,139	241,340	254,980
1,496,288	1,496,288	1,571,102	Issued and paid up shares (in'000)	1,571,102	1,496,288	1,496,288
44	42	41	Net assets value per share (cents/baizas)	157	161	170

14. 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 2019**

14. 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-19			31-Mar-18			31-Dec-18		
	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	3,832	8,236	12,068	3,466	7,486	10,952	13,066	31,684	44,750
Net income from islamic financing and investments	748	807	1,555	600	942	1,542	2,446	4,858	7,304
Net interest income and income from islamic financing and investments	4,580	9,043	13,623	4,066	8,428	12,494	15,512	36,542	52,054
Other operating income	401	3,094	3,495	96	2,339	2,435	1,114	8,985	10,099
Net operating income	4,981	12,137	17,118	4,162	10,767	14,929	16,626	45,527	62,153
Net impairment on financial assets & write off	(170)	(1,642)	(1,812)	(105)	(1,010)	(1,115)	(179)	(4,929)	(5,108)
Operating expenses	(3,821)	(2,765)	(6,586)	(3,161)	(2,552)	(5,713)	(12,981)	(10,271)	(23,252)
Profit before taxation	990	7,730	8,720	896	7,205	8,101	3,466	30,327	33,793
Tax expense	(148)	(1,160)	(1,308)	(135)	(916)	(1,051)	(520)	(4,487)	(5,007)
Segment profit for the period/year	842	6,570	7,412	761	6,289	7,050	2,946	25,840	28,786
Segment assets	678,607	1,707,768	2,386,375	628,951	1,482,733	2,111,684	660,409	1,629,981	2,290,390
Segment liabilities	257,420	1,777,816	2,035,236	239,107	1,581,237	1,820,344	257,785	1,673,625	1,931,410
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net interest income	9,953	21,392	31,345	9,003	19,444	28,447	33,938	82,296	116,234
Net income from islamic financing and investments	1,943	2,096	4,039	1,558	2,447	4,005	6,353	12,619	18,972
Net interest income and income from islamic financing and investments	11,896	23,488	35,384	10,561	21,891	32,452	40,291	94,915	135,206
Other operating income	1,042	8,036	9,078	249	6,076	6,325	2,894	23,337	26,231
Net operating income	12,938	31,524	44,462	10,810	27,967	38,777	43,185	118,252	161,437
Net impairment on financial assets & write off	(442)	(4,264)	(4,706)	(273)	(2,623)	(2,896)	(465)	(12,802)	(13,267)
Operating expenses	(9,924)	(7,182)	(17,106)	(8,210)	(6,629)	(14,839)	(33,717)	(26,678)	(60,395)
Profit before taxation	2,572	20,078	22,650	2,327	18,715	21,042	9,003	78,772	87,775
Tax expense	(384)	(3,013)	(3,397)	(351)	(2,379)	(2,730)	(1,351)	(11,654)	(13,005)
Segment profit for the period/year	2,188	17,065	19,253	1,976	16,336	18,312	7,652	67,118	74,770
Segment assets	1,762,616	4,435,761	6,198,377	1,633,639	3,851,254	5,484,893	1,715,348	4,233,717	5,949,065
Segment liabilities	668,623	4,617,704	5,286,327	621,056	4,107,109	4,728,165	669,571	4,347,079	5,016,650

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

15. 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-19			31-Mar-18			31-Dec-18		
	Level 1 RO '000	Level 2 RO '000	Total RO '000	Level 1 RO '000	Level 2 RO '000	Total RO '000	Level 1 RO '000	Level 2 RO '000	Total RO '000
Financial assets:									
Investments at FVTPL	516	-	516	612	-	612	472	-	472
Investments at FVOCI	35,778	195,896	231,674	35,305	169,077	204,382	32,537	181,040	213,577
<i>Derivative financial instruments</i>	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	173	173	-	622	622	-	132	132
Forward foreign exchange contracts	738	-	738	1,089	-	1,089	668	-	668
	37,032	196,069	233,101	37,006	169,699	206,705	33,677	181,172	214,849
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	147	147	-	67	67	-	55	55
Forward foreign exchange contracts	264	-	264	839	-	839	17	-	17
	264	147	411	839	67	906	17	55	72
Financial assets:	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Investments at FVTPL	1,340	-	1,340	1,590	-	1,590	1,226	-	1,226
Investments at FVOCI	92,930	508,821	601,751	91,701	439,161	530,862	84,511	470,234	554,745
<i>Derivative financial instruments</i>									
Interest rate swaps	-	449	449	-	1,616	1,616	-	343	343
Forward foreign exchange contracts	1,917	-	1,917	2,829	-	2,829	1,735	-	1,735
	96,187	509,270	605,457	96,120	440,777	536,897	87,472	470,577	558,049
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	382	382	-	174	174	-	143	143
Forward foreign exchange contracts	686	-	686	2,179	-	2,179	44	-	44
	686	382	1,068	2,179	174	2,353	44	143	187

No financial instruments are carried at level 3 fair value as on 31 March 2019 (31 March 2018 and 31 December 2018: nil)

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**
16. CONTINGENT LIABILITIES AND COMMITMENTS

Audited 31-Dec-18 US\$ '000	Unaudited 31-Mar-18 US\$ '000	Unaudited 31-Mar-19 US\$ '000		Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-18 RO '000	Unaudited 31-Dec-18 RO '000
411,894	348,613	432,834	Financial guarantees	166,641	134,216	158,579
275,608	371,426	238,425	Letters of credit	91,794	142,999	106,109
120,748	96,613	87,335	Loan commitments	33,624	37,196	46,488
3,634	932	2,260	Capital commitments	870	359	1,399
1,682	1,652	-	Lease commitments	-	636	648
813,566	819,236	760,854		292,929	315,406	313,223

17. ASSETS AND LIABILITIES MATURITY

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	702,010	212,029	424,362	1,047,974	2,386,375
Liabilities and equity	(499,243)	(642,022)	(646,012)	(599,098)	(2,386,375)
Net liquidity gap	202,767	(429,993)	(221,650)	448,876	-
Net liquidity gap in US \$ '000	526,668	(1,116,865)	(575,715)	1,165,912	-

As at 31 March 2018	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	626,453	179,038	362,154	944,039	2,111,684
Liabilities and equity	(491,583)	(547,357)	(564,981)	(507,763)	(2,111,684)
Net liquidity gap	134,870	(368,319)	(202,827)	436,276	-
Net liquidity gap in US \$ '000	350,312	(956,673)	(526,823)	1,133,184	-

As at 31 December 2018	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	728,896	184,334	355,846	1,021,314	2,290,390
Liabilities and equity	(523,053)	(584,871)	(662,866)	(519,600)	(2,290,390)
Net liquidity gap	205,843	(400,537)	(307,020)	501,714	-
Net liquidity gap in US \$ '000	534,658	(1,040,355)	(797,456)	1,303,153	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

18. 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 BDS/2018/1 dated 20 March 2018, minimum capital adequacy ratio requirement has been reduced to 11% from 12% with effect from 1 April 2018. As per new ratio, Tier 2 capital will be restricted to 2% from 3% and CET 1 & Tier 1 requirements remains unchanged. Accordingly, the minimum capital adequacy ratio requirement for the year is 13.50% including capital conservation buffer of 2.50% (31 December 2018: 12.875% including capital conservation buffer of 1.875%). The capital adequacy ratio working is as follows:

The following table sets out the capital adequacy position

	Unaudited 31-Mar-19 RO '000	Unaudited 31-Mar-18 RO '000	Audited 31-Dec-18 RO '000
Common Equity Tier 1 (CET1)	230,727	234,191	225,730
Additional Tier 1	104,000	50,000	104,000
Tier 1	334,727	284,191	329,730
Tier 2	20,020	17,324	23,191
Total regulatory capital	354,747	301,515	352,921
Risk weighted assets			
Credit risk	1,940,944	1,773,014	1,850,818
Market risk	71,184	64,832	63,812
Operational risk	107,150	102,196	102,196
Total risk weighted assets	2,119,278	1,940,042	2,016,826
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	10.89%	12.07%	11.19%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.79%	14.65%	16.35%
Tier II capital expressed as a percentage of total risk-weighted assets	0.95%	0.89%	1.15%
Total regulatory capital expressed as a percentage of total risk-weighted assets	16.74%	15.54%	17.50%
	Unaudited 31-Mar-19 US\$ '000	Unaudited 31-Mar-18 US\$ '000	Audited 31-Dec-18 US\$ '000
Common Equity Tier 1 (CET1)	599,291	608,288	586,312
Additional Tier 1	270,130	129,870	270,130
Tier 1	869,421	738,158	856,442
Tier 2	52,000	44,997	60,236
Total regulatory capital	921,421	783,155	916,678
Risk weighted assets			
Credit risk	5,041,413	4,605,231	4,807,319
Market risk	184,893	168,395	165,745
Operational risk	278,311	265,444	265,444
Total risk weighted assets	5,504,617	5,039,070	5,238,508
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	10.89%	12.07%	11.19%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.79%	14.65%	16.35%
Tier II capital expressed as a percentage of total risk-weighted assets	0.95%	0.89%	1.15%
Total regulatory capital expressed as a percentage of total risk-weighted assets	16.74%	15.54%	17.50%

19. 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.