Unaudited interim condensed financial statements
For the three month period ended 31st March 2018

Registered office and principal place of business:

Bank Dhofar Building
Bank Al Markazi street
Post Box 1507,Ruwi
Postal Code 112
Sultanate of Oman

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BANK DHOFAR S.A.O.G.

THE BOARD OF DIRECTORS' REPORT FOR THE QUARTER ENDED

31st MARCH 2018

Dear Shareholders,

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present to you the Bank's Financial Statements for the quarter ended 31st March 2018.

The Bank's Financial Performance during Quarter ended March 2018

The bank with its strong fundamentals and prudent lending achieved a 4.5% growth in the Net Loans, Advances and Financing to customers' portfolio reaching OMR 3.22 billion as at 31st March 2018, compared to OMR 3.08 billion at the end of 31st March 2017. To augment the loan growth, the Customer Deposits mobilized registered a growth of 0.95% to reach OMR 3.16 billion as at 31st March 2018 as compared to OMR 3.13 billion as at 31st March 2017.

The Net interest income and income from Islamic Financing activities for first quarter 2018 recorded OMR 24.14 million as compared to OMR 23.23 million, showing an increase of 3.92% year-on-year. Moreover, Non fund income as of 31st of March 2018 increased by 0.9% reaching OMR 8.92 million as against OMR 8.84 million for same period last year. Total operating income including non-funded income such as fees and commissions, foreign exchange profit, investment income etc. reached OMR 33.06 million for the first quarter ended 31st March 2018 as against OMR 32.06 million during the corresponding period ended 31st March 2017.

The cost to income ratio for the three month period ended 31st March 2018 is at 49.91% as compared to 45.95% during the same period in 2017.

Net provisions for loan impairment decreased by 96.3% to OMR 0.096 million during Q1-2018 as against OMR 2.61 million during Q1-2017 mainly due to recent changes in provision (Expected Credit Loss) calculation in compliance with International Financial Reporting Standards 9 (IFRS-9). Non-performing loans to gross loans increased from 2.81% at 31st of March 2017 to 3.27% at 31st March 2018, year-on-year; Non-performing loans, net of interest suspense, to gross loans is 1.79% at 31st March 2018 as against 1.52% at 31st March 2017.

The Net Profits of the Bank increased by 8.63% for the quarter ended 31st March 2018 reaching OMR 13.59 million, as compared to OMR 12.51 million achieved during the corresponding period of 2017.

The earnings per share (EPS) for year-to-date March 2018 are OMR 0.006 as compared to OMR 0.006 for year-to-date March 2017.

Maisarah Financial Performance Highlights:-

Maisarah Islamic Banking Services continues with its growth in balance sheet during the Quarter ended March 2018. The total assets have increased by 14.61% to OMR 482.47 million at March 2018 from

OMR 420.95 million at March 2017. The gross financing portfolio has grown from OMR 339.55 million at March 2017 to OMR 381.35 million at March 2018, a growth of 12.31%. To support this increase in financing portfolio, customer deposits has grown by 24.54% from OMR 302.05 million at March 2017 to OMR 376.18 million at March 2018.

The net financing income after cost of funds increased 41.07% year-on-year reaching OMR 2.37 million during quarter ended March 2018 against OMR 1.68 million at same period last year. Non-financing Income such as fees and commissions, foreign exchange profit, investment income and other income have increased by 57.58% to OMR 1.04 million compared OMR 0.66 million as at March 2017. Cost to income ratio have improved and stood at 50.41% at March 2018 compared to 63.89% at March 2017. During the quarter ended March 2018 provision reversal against financing and other assets amounts to OMR 0.30 million as compared to provision expense of OMR 0.71 million during the same period last quarter.

As at March 2018, Maisarah posted year to date Profit before Tax of OMR 1.99 million, a 1321.43% above last year Profit Before Tax of OMR 0.14 million.

Awards & Accolades

Following key awards were won by the Bank during the first quarter of 2018 and those awards are testimony to the continued efforts put in by the Bank to improve,

- Best Private Bank Oman 2017 – BankDhofar by Global Banking & Finance Review
- No. 1 in Large Sized Banks Category at Best Banks Report by Oman Economic Review (OER).
- the Business Excellence Award from the BIZZ AWARDS (World Confederation of Business) 2018
- Best Islamic bank in Oman - Maisarah Islamic Banking Services at the Middle East Banking Awards 2017 (EMEA Finance)
- Best Islamic Retail Bank Oman 2017 – Maisarah Islamic Banking by Global Banking & Finance Review
- Best Corporate Banking Institution – Oman in The Business Awards 2017 by MEA Markets
- Best mobile app from Pan Arab Web Awards 2018

Acknowledgment

On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence reposed in the Bank. I thank the shareholders for the continuous support and the Bank's staff and management for the good performance during the period.

The Board of Directors also thanks the Central Bank of Oman and the Capital Market Authority for their valuable guidance to the local banking sector and the listed companies

Finally, the Board of Directors and all staff of the Bank would like to express our most sincere gratitude to His Majesty Sultan Qaboos Bin Said for his wise leadership and generous support to the private sector.

Eng. Abdul Hafidh Salim Rajab Al-Aujaili
Chairman

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE THREE MONTH PERIOD ENDED 31st March 2018

	Notes	**Unaudited 31st March 2018 RO'000**	Unaudited 31st March 2017 RO'000	Audited December 2017 RO'000
Assets				
Cash and balances with Central Bank of Oman		**246,320**	351,681	326,819
Loans, advances and financing to banks		**325,119**	334,327	299,896
Loans, advances and financing to customers	**5**	**3,220,569**	3,081,859	3,248,873
Investment securities	**6**	**295,029**	238,548	290,855
Intangible asset		**1,092**	1,489	1,191
Property and equipment		**10,412**	8,341	9,524
Other assets		**103,416**	72,858	69,552
Total assets		**4,201,957**	4,089,103	4,246,710
Liabilities				
Due to banks		**216,549**	261,341	387,742
Deposits from customers	**7**	**3,157,702**	3,128,061	3,068,409
Other liabilities		**182,450**	125,332	114,677
Subordinated loans		**63,875**	53,875	88,875
Total liabilities		**3,620,576**	3,568,609	3,659,703
Shareholders' equity				
Share capital	**8**	**243,849**	204,164	225,786
Share premium		**77,564**	59,618	77,564
Special reserve		**18,488**	18,488	18,488
Legal reserve		**50,254**	45,176	50,254
Special reserve –restructure loans		**1,281**	-	1,281
Special impairment reserve IFRS 9	**5**	**10,879**	-	-
Subordinated loan reserve		**42,325**	31,550	42,325
Revaluation reserve		**(709)**	-	-
Investment revaluation reserve		**(72)**	1,081	507
Retained earnings		**22,022**	44,917	55,302
Total equity attributable to the equity holders of the Bank		**465,881**	404,994	471,507
Perpetual Tier 1 Capital Securities	**8**	**115,500**	115,500	115,500
Total equity		**581,381**	520,494	587,007
Total liabilities and equity		**4,201,957**	4,089,103	4,246,710
Net assets per share (Rials Omani)	**9**	**0.191**	0.198	0.209
Contingent liabilities	**13**	**1,025,208**	1,034,980	1,018,969

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

Eng. Abdul Hafidh Salim Rajab Al-Aujaili
Chairman

Abdul Hakeem Omar Al Ojaili
Chief Executive Officer

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31st March 2018

	Notes	**Unaudited 31 March 2018 RO'000**	Unaudited 31 March 2017 RO'000
Interest income		**42,153**	38,300
Interest expense		**(20,380)**	(16,754)
Net interest income	10	**21,773**	21,546
Income from islamic financing		**5,301**	4,068
Unrestricted investment account holders' share of profit		**(2,936)**	(2,388)
Net income from islamic financing activities		**2,365**	1,680
Fees and commission income		**5,193**	5,161
Fees and commission expense		**(1,046)**	(864)
Net fees and commission income		**4,147**	4,297
Other income		**4,777**	4,541
Operating income		**33,062**	32,064
Staff and administrative costs		**(15,623)**	(13,873)
Depreciation		**(879)**	(862)
Operating expenses		**(16,502)**	(14,735)
Profit from operations		**16,560**	17,329
Provision for loan impairment		**(1,708)**	(3,935)
Recoveries from allowance for loan impairment	5	**1,612**	1,325
Bad debts written-off		**(2)**	-
Profit from operations after provision		**16,462**	14,719
Income tax expense		**(2,870)**	(2,208)
Profit for the period		**13,592**	12,511
Other comprehensive income:			
Items that will not be reclassified to P&L::			
Net changes in fair value reserve (equity instrument)		**(579)**	-
Items that are or may be reclassified to profit or loss in subsequent periods:			
Net changes of fair value through other comprehensive income		**-**	(242)
Reclassification adjustment on sale of available for sale financial assets		**-**	(136)
Other comprehensive income for the period		**(579)**	(378)
Total comprehensive income for the period		**13,013**	12,133
Earnings per share attributable to equity holders of the Bank (basic and diluted) (Rials Omani) (restated for 31 March 2017)	11	**0.006**	0.006

The accompanying notes form an integral part of these interim condensed financial statements

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31st March 2018 (CONTINUED)

	Notes	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructure	Special impairment reserve IFRS9	Fair value reserve IFRS9	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balances as at 1 January 2018		225,786	77,564	50,254	18,488	1,281	-	-	42,325	507	55,302	471,507	115,500	587,007
Changes on initial application of IFRS 9		-	-	-	-	-	8,455	(709)	-	-	709	8,455	-	8,455
Restated balance on 1 January 2018		225,786	77,564	50,254	18,488	1,281	8,455	(709)	42,325	507	56,011	479,962	115,500	595,462
Profit for the period		-	-	-	-	-	-	-	-	-	13,592	13,592	-	13,592
Other comprehensive income for the period														
Net changes of fair value through other comprehensive income		-	-	-	-	-	-	-	-	(579)	-	(579)		(579)
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(579)	13,592	13,013	-	13,013
Transfer to Special impairment reserve IFRS9		-	-	-	-	-	2,424	-	-	-	(2,424)	-	-	-
Transactions with owners recorded directly in equity								-						
Dividend for 2017	8	-	-	-	-	-	-	-	-	-	(27,094)	(27,094)	-	(27,094)
Bonus shares issued for 2017	8	18,063	-	-	-	-	-	-	-	-	(18,063)	-	-	-
Balances as at 31 March 2018		243,849	77,564	50,254	18,488	1,281	10,879	(709)	42,325	(72)	22,022	465,881	115,500	581,381

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31st March 2018 (CONTINUED)

	Notes	Share capital RO'000	Share premium RO'000	Special reserve RO'000	Legal reserve RO'000	Subordinated loans reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000	Perpetual Tier 1 capital securities RO'000	Total equity RO'000
Balances as at 1 January 2017		**189,920**	**59,618**	**18,488**	**45,176**	**31,550**	**1,459**	**72,289**	**418,500**	**115,500**	**534,000**
Profit for the period		-	-	-	-	-	-	12,511	12,511	-	12,511
Other comprehensive income for the year											
Net change in fair value of available-for-sale investments		-	-	-	-	-	(242)	-	(242)	-	(242)
Transfer to statement of comprehensive income on sale of available-for-sale investments		-	-	-	-	-	(136)	-	(136)	-	(136)
Impairment of available-for-sale investments		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	-	(378)	12,511	12,133		12,133
Transfer to legal reserve		-	-	-	-	-	-	-	-	-	-
Transfer to subordinated loan reserve		-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings		-	-	-	-	-		-	-	-	-
Increase in share capital		-	-	-	-	-	-	-	-	-	-
Increase in share premium		-	-	-	-	-	-	-	-	-	-
Increase in legal reserve		-	-	-	-	-	-	-	-	-	-
Additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity								-			
Dividend for 2017	8	-	-	-	-	-	-	(25,639)	(25,639)	-	(25,639)
Bonus shares issued for 2017	8	14,244	-	-	-	-	-	(14,244)	-	-	-
Balances as at 31 March 2017 (Unaudited)		**204,164**	**59,618**	**18,488**	**45,176**	**31,550**	**1,081**	**44,917**	**404,994**	**115,500**	**520,494**

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31st MARCH 2018

	Unaudited 31st March 2018	Unaudited 31st March 2017
	RO’000	RO’000
Cash flows from operating activities		
Interest, financing income, commission and other receipts	**46,494**	46,958
Interest payments, return on Islamic Banking deposits	**(18,969)**	(16,937)
Cash payments to suppliers and employees	**33,913**	6,793
	61,438	36,814
Increase in operating assets		
Loans, advances and financing to customers	**28,206**	(95,877)
Loans, advances and financing to banks	**33,949**	96,686
Receipts from treasury bills and certificates of deposits (net)	**15,093**	189
	77,248	998
Increase / (decrease) in operating liabilities		
Deposits from customers	**89,293**	242,872
Due to banks	**(171,557)**	(89,756)
	(82,264)	153,116
Cash flow from operating activities	**56,422**	190,928
Income tax paid	**(7,359)**	(5,733)
Net cash from/(used in) operating activities	**49,063**	185,195
Cash flows (used in)/from investing activities		
Investment income	**1,917**	1,628
Purchase of investments	**(19,872)**	(268)
Proceeds from sale of investments	**-**	6,296
Dividend received	**179**	244
Purchase of property and equipment	**(888)**	(885)
Proceeds from sale of property and equipment	**4**	(2)
Net cash (used in)/from investing activities	**(18,660)**	7,013
Cash flow used in financing activities		
Subordinated loan	**(25,000)**	-
Dividend	**(27,094)**	(25,639)
Net cash used in financing activities	**(52,094)**	(25,639)
Net change in cash and cash equivalents	**(21,691)**	166,569
Cash and cash equivalents at the beginning of the period	**414,879**	345,500
Cash and cash equivalents at the end of the period	**393,188**	512,069
Cash and balances with Central Bank of Oman	**246,320**	351,681
Capital deposit with Central Bank of Oman	**(500)**	(500)
Loans, advances and financing to banks due within 90 days	**148,317**	143,117
Treasury bills within 90 days	**-**	19,237
Due to banks within 90 days	**(949)**	(1,466)
Cash and cash equivalents for the purpose of the statement of cash flows	**393,188**	512,069

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31st MARCH 2018

Reconciliation of liabilities and equity arising from financing activities:

	Unaudited 31st March 2018 RO'000	Unaudited 31st March 2017 RO'000
Subordinated loan		
Balance at beginning of the period	**88,875**	53,875
Cash flows	**(25,000)**	-
Balance at end of the period	**63,875**	53,875
Retained earnings		
Balance at beginning of the period	**55,302**	72,289
Changes on initial application of IFRS 9	**709**	-
Profit for the period	**13,592**	12,511
Transfer to special reserve (IFRS 9)	**(2,424)**	-
Bonus shares issued for 2017	**(18,063)**	(14,244)
Dividend transfer	**(27,094)**	(25,639)
Balance at end of the period	**22,022**	44,917

Cash and balances with Central Bank of Oman comprises of the following:

	Unaudited 31 March 2018 RO'000	Unaudited 31 March 2017 RO'000
Cash on hand	**26,023**	28,836
Balances with the Central Bank of Oman	**182,567**	288,965
Placements with Central Bank of Oman	**37,730**	33,880
	246,320	351,681

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Dhofar SAOG (the "Bank") is incorporated in the Sultanate of Oman as a public joint stock company and is principally engaged in corporate, retail and investment banking activities through a network of 70 branches (31 March 2017: 68 branches) which comprises of 10 Islamic branches (31 March 2017: 10 Islamic branches) and 60 conventional branches (31 March 2017: 58 conventional branches). The Bank's Islamic Banking Window, Maisarah Islamic Banking Services has an allocated capital of RO 55 million from the core paid up capital of the shareholders. The Bank has a primary listing on the Muscat Securities Market ("MSM") and the Bank's Perpetual Tier 1 Capital Securities are listed on Irish Stock Exchange. The principal place of business is the Head Office, Capital Business District ("CBD"), Muscat, Sultanate of Oman.

The Bank employed 1,505 employees as of 31 March 2018 (31 March 2017: 1,482 employees).

2 BASIS OF PREPARATION

2.1 Statement of compliance and basis of accounting

The unaudited interim condensed financial statements for the three month period ended 31 March 2018 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).

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended 31 December 2017 ('the last annual financial statements').
They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual financial statements.
This is the first set of the Bank's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 3.

2.2 Functional and presentation currency

Items included in the Bank's financial statements are measured using Rial Omani which is the currency of the primary economic environment in which the Bank operates, rounded off to the nearest thousand.

2.3 Use of estimates and judgements

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 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 3.

3 Changes in significant accounting policies

Except as described below, the accounting policies applied in these unaudited interim condensed financial statements are same as those applied in the Bank's financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Bank's financial statements as at and for the year ending 31 December 2018.

The Bank has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Bank's financial statements.

A. IFRS 9 Financial instruments

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of initial application of 1 January 2018. The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
• the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
• the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 Changes in significant accounting policies (continued)

A. IFRS 9 Financial instruments (continued)

Classification of financial assets and financial liabilities (continued)

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

IFRS 9 removes the requirement contained in IAS 39 relating to bifurcation of an embedded derivative from an asset host contract. However, entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract.
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:
• the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
• the remaining amount of change in the fair value is presented in profit or loss.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

• the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
• how the performance of the portfolio is evaluated and reported to the Bank's management;
• the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
• how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
• the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised .

3 Changes in significant accounting policies (continued)

A. IFRS 9 Financial instruments (continued)

Classification of financial assets and financial liabilities (continued)

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Modifications of financial assets

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

Impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
• financial assets that are debt instruments;
• lease receivables;
• financial guarantee contracts issued; and
• loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
• debt investment securities that are determined to have low credit risk at the reporting date; and
• other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition

3 Changes in significant accounting policies (continued)

A. IFRS 9 Financial instruments (continued)

Impairment (continued)

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.
The Bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.
12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:
• Stage 1 – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
• Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
• Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The key inputs into the measurement of ECL are the term structure of the following variables:
• probability of default (PD);
• loss given default (LGD);
• exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:
• PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
• EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date
• LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

3 Changes in significant accounting policies (continued)

A. IFRS 9 Financial instruments (continued)

Impairment (continued)

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

In its models, the Bank relies on a broad range of forward looking information as economic inputs, such as: real GDP growth and oil revenue (as % of GDP). The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

Assessment of significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The following quantitative guidelines are used to determine the staging of accounts:

1. An account will migrate to stage 2 if any of the changes in rating below are met
   - For risk grades 1 – 4: >= 3 notch downgrade
   - Risk grade 5: 2 notch downgrade
   - Risk grade 6 and 7: 1 notch downgrade
2. An account will also migrate to stage 2 if it is more than 30 days past due
3. An account will also be considered stage 2 if has been placed under special mention

In addition to the above, qualitative criteria as per the CBO guidelines (BM 1149, Para 12 (d)), for assessing the significant increase in credit risk are applicable to corporate clients with limits of OMR 500,000 or higher only.

3 Changes in significant accounting policies (continued)

A. IFRS 9 Financial instruments (continued)

Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
• *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
• *loan commitments and financial guarantee contracts:* For financial guarantee contracts and loan commitments, the loss allowance is recognised as a provision. The Bank has issued no loan commitment that are measured at FVTPL. Liabilities arising from financial guarantee and loan commitments are included within provisions under other liabilities in statement of financial position;
• *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
• *debt instruments measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Definition of default

The Bank considers a financial asset to be in default when:
• the borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held); or
• the borrower is past due more than 90 days on any material credit obligation to the Bank.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:
• qualitative - e.g. breaches of covenant;
• quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
• based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The Bank follows the definition of default as stipulated in CBO guidelines (BM 977 and subsequent).

3. Changes in significant accounting policies (continued)

A. IFRS 9 Financial instruments (continued)

Hedge accounting

IFRS9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and alignes hedge accounting more closely with risk management objectives and strategy with more qualitative approach to assess hedge effectiveness. IFRS9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting.

The Bank has entered into interest rate swaps to hedge the variability in cash flows arising from changes in interest rates relating to investments. The types of hedge accounting relationships that the Bank currently designates meet the requirements of IFRS 9 and are aligned with Bank's risk management strategy and objective.

Based on Bank's assessment, there is no impact from the adoption of new standard on hedge accounting.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

• Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

• The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

• If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see below:

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31st March 2018

3. Changes in significant accounting policies (continued)

A. IFRS 9 Financial instruments (continued)

Transition (continued)

(a)The following table reconciles the original measurement categories and carrying amounts in accordance with IAS 39 and the new measurement categories with those under IFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018.

				Impact of IFRS 9		
	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount**	**Re-measure-ment**	**Re-classifica-tion**	**New carrying amount**
Financial assets						
Cash and balances with central banks	Loans and receivables	Amortised cost	326,819	-	-	326,819
Due from banks	Loans and receivables	Amortised cost	299,896	(1,287)	-	298,609
Loans and advances to customers	Loans and receivables	Amortised cost	3,248,873	9,742	-	3,258,615
Investment securities – equity	Available-for-sale	FVOCI	4,550	-	(709)	3,841
Investment securities – debt	Available-for-sale	FVOCI	26,437	-	-	26,437
Investment securities – equity	Available-for-sale	FVTPL	4,825	-	-	4,825
Investment securities	Held to maturity	Amortised cost	255,043	-	-	255,043
Other assets			69,441	-	-	69,441
Fixed assets			9,524	-	-	9,524
Intangible assets			1,191	-	-	1,191
Derivatives financial instrument	FVTPL	FVTPL	1,243	-	-	1,243
Total			**4,247,842**	**8,455**	**(709)**	**4,255,588**
Financial liabilities						
Due to banks	Amortised cost	Amortised cost	387,742	-	-	387,742
Customer deposits	Amortised cost	Amortised cost	3,068,409	-	-	3,068,409
Other liabilities	Amortised cost	Amortised cost	104,561	-	-	104,561
Subordinated debt	Amortised cost	Amortised cost	88,875	-	-	88,875
Derivatives with negative fair value	FVTPL	FVTPL	1,132	-	-	1,132
Current Year Tax			10,116	-	-	10,116
			3,660,835	**-**	**-**	**3,660,835**

3 Changes in significant accounting policies (continued)

A. IFRS 9 Financial instruments (continued)

Transition (continued)

The impact from the adoption of IFRS 9 as at 1 January 2018 has been to increase retained earnings by RO 709 thousand, decrease the fair value reserve by RO 709 thousand:

	Retained earnings	Fair value reserve
Closing balance under IAS 39 (31 December 2017)	55,302	-
Impact on reclassification and remeasurements:		
Investment securities (equity) from available-for-sale to those measured at fair value through other comprehensive income		(709)
Investment securities (debt) from held to maturity to those measured at fair value through other comprehensive income	-	-
Investment securities (equity) from available-for-sale to those measured at fair value through profit or loss	-	-
Investment securities (mutual funds) from available-for-sale to those measured at fair value through profit or loss	-	-
Investment securities (debt) from available-for-sale to those measured at amortized cost	-	-
	-	-
Impact on recognition of Expected Credit Losses		
Due from banks	-	-
Investment Securities (Debt) at fair value through other comprehensive income	-	-
Investment Securities (Debt) at amortised cost	-	-
Loans and Advances	-	-
Off balance sheet exposures subject to credit risk	-	-
	-	-
Transfer from risk reserve	709	-
(Opening balance under IFRS 9 on date of initial application of 1 January 2018	**56,011**	**(709)**

3 Changes in significant accounting policies (continued)

A. IFRS 9 Financial instruments (continued)

Transition (continued)

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL	**4,126**	**824**	**105**	**5,055**
Opening Balance (Day 1 impact) - as at 1 January 2018				
- Due from Banks	804	100	-	**904**
- Loans and Advances to Customers	15,914	21,498	36,407	**73,819**
- Investment Securities at FVOCI (Debt)	-	-	-	**-**
- Loan Commitments and Financial Guarantees	4,023	3,946	**-**	**7,969**
	20,741	**25,544**	**36,407**	**82,692**
Net transfer between stages				
- Due from Banks	-	-		-
- Loans and Advances to Customers	(102)	102	-	-
- Investment Securities at FVOCI (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	(2)	2	-	-
	(104)	**104**	**-**	**-**
Charge for the Period (net)				
- Due from Banks	(32)	-	-	**(32)**
- Loans and Advances to Customers	(917)	3,320	(2,395)	**8**
- Investment Securities at FVOCI (Debt)	142	-	-	**142**
- Loan Commitments and Financial Guarantees	(29)	6	-	**(23)**
	(836)	**3,326**	**(2,395)**	**95**
Closing Balance - as at 31 March 2018				
- Due from Banks	772	100	-	**872**
- Loans and Advances to Customers	14,895	24,920	34,012	**73,827**
- Investment Securities at FVOCI (Debt)	142	-	-	**142**
- Loan Commitments and Financial Guarantees	3,991	3,954	-	**7,945**
	19,800	**28,974**	**34,012**	**82,786**

B. IFRS 15 Revenue from Contract with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank plans to adopt the new standard on the required effective date using the modified retrospective approach. The Bank has performed an initial impact assessment and concluded that the impact is not material as in majority of the Bank's facility agreements with customers generally expected to be the only performance obligation and accordingly, adoption of IFRS 15 is not expected to have any impact on the Bank's income and profit or loss.

4 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Bank has not early adopted them in preparing these unaudited interim condensed financial statements.
The Bank has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Bank's financial statements.

IFRS 16 Leases

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). For lessors, there is little change to the existing accounting in IAS 17 Leases. The Bank will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. In 2018, the Bank will continue to assess the potential effect of IFRS 16 on its financial statements.

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5. Loans, advances and financing to customers

	Unaudited 31st March 2018 RO'000	Unaudited 31st March 2017 RO'000	Audited 31 December 2017 RO'000
Overdrafts	**174,179**	152,690	173,297
Loans	**2,588,110**	2,508,280	2,628,663
Loans against trust receipts	**119,650**	114,007	116,350
Bills discounted	**12,851**	11,677	13,348
Advance against credit cards	**8,637**	7,611	8,516
Others	**58,723**	71,276	58,734
Islamic Banking Window financing	**381,514**	339,553	387,917
Gross Loans, advances and financing	**3,343,664**	3,205,094	3,386,825
Less: Impairment allowance	**(123,095)**	(123,235)	(137,952)
Net loans, advances and financing	**3,220,569**	3,081,859	3,248,873

The movement in the impairment allowance is analysed below:

(a) Allowance for loan impairment

Balance at beginning of the period / year	**73,710**	79,242	79,242
Allowance made during the period / year	**1,730**	3,935	17,588
Released to the statement of comprehensive income during the period / year	**(1,612)**	(1,325)	(6,047)
Written off during the period / year	**(2)**	(7)	(43)
Balance at the end of the period / year	**73,826**	81,845	90,740

(b) Reserved interest

Balance at beginning of the period / year	**47,212**	39,640	39,640
Reserved during the period / year	**2,352**	2,015	8,671
Released to the statement of comprehensive income during the period / year	**(287)**	(198)	(948)
Written-off during the period / year	**(8)**	(67)	(151)
Balance at the end of the period / year	**49,269**	41,390	47,212
Total impairment allowance	**123,095**	123,235	137,952

The impairment allowance also includes the regulatory impairment reserve as follows:

	Unaudited 31st March 2018 RO'000
Provisions required as per CBO norms	**93,665**
Impairment allowance as per IFRS	**(82,786)**
Regulatory impairment reserve	**10,879**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31st March 2018

5. Loans, advances and financing to customers (continued)

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 extent CBO norms, including those on restructuring of loans accounts for regulatory reporting purposes.

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

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 recognized as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149 as on 1 January 2018.

(Amounts in RO '000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	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
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
	Stage 1	2,636,217	36,238	15,890	20,348	2,599,979	2,620,327	-	-
Standard	Stage 2	451,725	4,620	8,290	(3,670)	447,105	443,435	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		**3,087,942**	**40,858**	**24,180**	**16,678**	**3,047,084**	**3,063,762**	**-**	**-**
	Stage 1	29,166	298	424	(126)	28,868	28,742	-	-
Special Mention	Stage 2	219,462	6,294	13,209	(6,915)	213,168	206,253	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		**248,628**	**6,592**	**13,633**	**(7,041)**	**242,036**	**234,995**	**-**	**-**
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	9,718	2,340	4,491	(2,151)	7,001	5,227	-	377
Subtotal		**9,718**	**2,340**	**4,491**	**(2,151)**	**7,001**	**5,227**	**-**	**377**
	Stage 1	-	-	-	-	-	-		
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,517	4,348	4,471	(123)	5,452	6,046	-	717
Subtotal		**10,517**	**4,348**	**4,471**	**(123)**	**5,452**	**6,046**	**-**	**717**
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-		
	Stage 3	85,268	37,011	27,446	9,565	2,139	57,822	-	46,118
Subtotal		**85,268**	**37,011**	**27,446**	**9,565**	**2,139**	**57,822**	**-**	**46,118**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,460,589	-	4,427	(4,427)	1,460,589	1,456,162	-	-
	Stage 2	152,424	-	4,046	(4,046)	152,424	148,378	-	-
	Stage 3	22	-	-	-	22	22	-	-
Subtotal		**1,613,035**	**-**	**8,473**	**(8,473)**	**1,613,035**	**1,604,562**	**-**	**-**
	Stage 1	4,125,972	36,536	20,741	15,795	4,089,436	4,105,231	-	-
Total (1 January 2018)	Stage 2	823,611	10,914	25,545	(14,631)	812,697	798,066	-	-
	Stage 3	105,525	43,699	36,408	7,291	14,614	69,117	-	47,212
	Total	**5,055,108**	**91,149**	**82,694**	**8,455**	**4,916,747**	**4,972,414**	**-**	**47,212**
	Stage 1	4,224,864	36,700	19,801	16,899	4,188,164	4,205,063	-	-
Total (31 March 2018)	Stage 2	731,340	10,951	28,973	(18,022)	720,389	702,367	-	-
	Stage 3	109,193	46,014	34,012	12,002	13,910	75,181	-	49,269
	Total	**5,065,397**	**93,665**	**82,786**	**10,879**	**4,922,463**	**4,982,611**	**-**	**49,269**

* Net of provision and reserve interest as per CBO norms

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 FOR THE THREE MONTH PERIOD ENDED 31st March 2018

5. Loans, advances and financing to customers (continued)

Restructured loans

(Amounts in RO '000)

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
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	16,325	140	100	40	16,185	16,225	-	-
	Stage 2	45,185	4,263	2,588	1,675	40,922	42,597	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		**61,510**	**4,403**	**2,688**	**1,715**	**57,107**	**58,822**	**-**	**-**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,559	1,353	793	560	627	1,766	-	579
Sub total		**2,559**	**1,353**	**793**	**560**	**627**	**1,766**	**-**	**579**
Total (1 January 2018)	**Stage 1**	16,325	140	100	40	16,185	16,225	-	-
	Stage 2	45,185	4,263	2,588	1,675	40,922	42,597	-	-
	Stage 3	2,559	1,353	793	560	627	1,766	-	579
	Total	**64,069**	**5,756**	**3,481**	**2,275**	**57,734**	**60,588**	**-**	**579**
Total (31 March 2018)	**Stage 1**	4,500	163	53	110	4,337	**-**	**-**	**-**
	Stage 2	45,659	4,121	2,107	2,014	41,538	**-**	**-**	**-**
	Stage 3	3,397	1,902	1,094	808	1,495	**-**	**-**	**713**
	Total	**53,556**	**6,186**	**3,254**	**2,932**	**47,370**	**-**		**713**

* Net of provision and reserve interest as per CBO norms

In accordance with Central Bank of Oman (CBO) circular BM 1149, the mandatory regulatory impairment reserve is created when the provisions and reserve interest required as per CBO norms exceeds the impairment allowance as per IFRS. The impairment reserve is a yearly appropriation from the net profit after tax. The regulatory impairment reserve will not be available for payment of dividend or for inclusion in regulatory capital. Any subsequent utilisation of the impairment reserve would require prior approval of the CBO.

Interest is reserved by the Bank against loans and advances which are impaired.

Out of the total provisions of RO 123,095 thousand (31st March 2017 – RO 123,235 thousand (31 December 2017 - RO 137,952 thousand), a collective provision was recorded on a portfolio basis amounting to RO 39,816 thousand as of 31st March 2018 (31st March 2017 - RO 41,159 thousand, 31 December 2017 - RO 43,197 thousand).

At 31st March 2018, impaired loans and advances on which interest has been reserved amount to RO 109,193 thousand (31st March 2017 – RO 89,228 thousand, 31 December 2017 - RO 105,503 thousand and loans and advances on which interest is not being accrued amount to RO1,541 thousand (31st March 2017 - RO 1,372 thousand, 31 December 2017 – RO 1,578 thousand).

The provision made for non-funded facilities during the year of RO 22 thousand is included in other expenses.

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FOR THE THREE MONTH PERIOD ENDED 31st March 2018

6. Investments securities

	Unaudited 31st March 2018 RO'000	Unaudited 31st March 2017 RO'000	Audited 31 December 2017 RO'000
Available for sale Investments	**-**	29,830	35,812
Investment securities designated as at FVTPL	**4,812**	-	-
Investment securities measured at FVOCI-debt instrument	**13,931**	-	-
Investment securities designated at FVOCI-equity investment	**36,336**	-	-
Investment securities measured at amortised cost	**239,950**	-	-
Held to maturity investment	**-**	208,718	255,043
	295,029	238,548	290,855

6. Investments securities (continued)

6. 1 Investments measured at fair value

	Unaudited 31st March 2018		Unaudited 31st March 2017		Audited 31 December 2017	
	Cost	**Fair value**	Cost	Fair value	Cost	Fair value
	RO'000	**RO'000**	RO'000	RO'000	RO'000	RO'000
A) Equity instruments Quoted on the Muscat Securities Market						
Financial	**429**	**429**	444	428	429	429
Industrial	**2,036**	**1,931**	2,993	3,113	2,036	1,910
Services	**1,617**	**1,562**	3,164	3,338	2,075	2,210
Equity Funds – Quoted – Foreign	**-**	**-**	308	324	-	-
Quoted debt/sukuk Foreign fixed income & bonds	**5,545**	**5,352**	3,619	3,671	5,545	5,520
Local fixed income & bonds	**1,087**	**1,139**	13	32	964	965
Total quoted investments	**10,714**	**10,413**	10,541	10,906	11,049	11,034
Un-quoted equity						
Local securities	**-**	**-**	3	3	1	1
Unit funds	**2,453**	**2,940**	1,842	2,360	2,117	2,435
Total Un-Quoted Investments	**2,453**	**2,940**	1,845	2,363	2,118	2,436
Total fair value through other comprehensive income	**13,167**	**13,353**	12,386	13,269	13,167	13,470
B) Quoted Debt/Sukuk						
Local listed sukuk	**30,000**	**29,858**	10,000	10,198	10,000	10,000
Sovereign sukuk	**16,363**	**11,868**	6,363	6,363	12,138	12,341
	46,363	**41,726**	16,363	16,561	22,138	22,342
Total Quoted Investments	**59,530**	**55,079**	28,749	29,830	35,305	35,812

The fair value investments are classified as follows:

Available for sale investments	**-**	29,830	35,812
Investment securities designated as at FVTPL	**4,812**	-	-
Investment securities measured at FVOCI - debt instruments	**13,931**	-	-
Investment securities designated as at FVOCI - equity investments	**36,336**	-	-
	55,079	29,830	35,812

6. Investment securities (continued)

6.2 Amortised cost investment / held to maturity

	Investment securities measured at amortised cost	*Held to maturity investments*	
	Unaudited 31st March 2018 RO'000	Unaudited 31st March 2017 RO'000	Audited 31 December 2017 RO'000
Treasury bills with maturity of above 90 days	**29,913**	19,237	49,917
Government Development Bonds	**200,037**	179,481	195,126
	229,950	198,718	245,043
Local quoted sukuk Govt.	**10,000**	10,000	10,000
	239,950	208,718	255,043

7. Deposits from customers

	Unaudited 31st March 2018 RO'000	Unaudited 31st March 2017 RO'000	Audited 31st December 2017 RO'000
Current accounts	**832,171**	846,318	704,197
Savings accounts	**452,964**	437,526	442,972
Time deposits / certificate of deposits	**1,480,787**	1,489,818	1,493,204
Margin accounts	**15,603**	52,354	51,253
Islamic Banking Window deposits	**376,177**	302,045	376,783
	3,157,702	3,128,061	3,068,409

Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1,230,972 thousand (31st March 2017 - RO 1,409,164 thousand, 31 December 2017 – RO 1,292,654 thousand).

8. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (2017: 5,000,000,000,000 shares of RO 0.100 each).

The shareholders of the Bank in the annual general meeting held during March 2018 approved the issuance of 8% bonus shares comprising 180,628,618 shares of par value RO 0.100 each (2017: 142,440,105 shares of par value RO 0.100 each) and 12% (2017 – 13.5%) as cash dividend of the paid share capital of the Bank amounting to RO 27,094 thousand for the year ended 31 December 2017 (2016 – RO 25,639 thousand for the year ended 31 December 2016).

At 31st March 2018, the issued and paid up share capital comprise 2,438,486,340 shares of par value RO 0.100 each. (31st March 2017 - 2,041,641,506 shares of par value of RO 0.100 each and 31 December 2017 - 2,257,857,722 shares of par value RO 0.100 each).

Shareholders

The following shareholders of the Bank own 10% or more of the Bank's share capital:

	Unaudited 31st March 2018		Unaudited 31st March 2017		Audited 31 December 2017	
	No of shares	**%**	No of shares	%	No. of shares	%
Dhofar International Development and Investment Company SAOG	**682,776,167**	**28.0%**	571,659,616	28.0%	632,200,155	28.0%
Eng. Abdul Hafidh Salim Rajab Al Aujaili and his related Companies	**526,268,636**	**21.6%**	429,497,049	21.0%	480,433,078	21.3%
Civil Service Employees Pension Fund	**214,442,443**	**8.8%**	212,103,566	10.4%	233,552,136	10.3%
Total	**1,423,487,246**	**58.4%**	1,213,260,231	59.4%	1,346,185,369	59.6%
Others	**1,014,999,094**	**41.6%**	828,381,275	40.6%	911,672,353	40.4%
	2,438,486,340	**100.0%**	2,041,641,506	100.0%	2,257,857,722	100%

The Bank's Islamic Banking Window, "Maisarah" Islamic Banking Services has an allocated capital of RO 55 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 31st March 2018.

On 21st of February 2017 Maisarah's paid-up capital was increased from RO 40 million to RO 55 Million from Banks its shareholders core capital.

On 27 May 2015, the Bank issued Perpetual Tier 1 Capital Securities (the "Tier 1 Securities"), amounting to USD 300,000,000. The other capital fund raising program have not yet been finalised.

9. Net assets per share

Net assets per share are calculated by dividing the net assets attributable to equity holders of the bank at the period / year end by the number of shares outstanding at period / year end as follows:

	Unaudited 31st March 2018	Unaudited 31st March 2017	Audited 31st December 2017
Net assets (RO'000)	**465,881**	404,994	471,507
Number of shares outstanding during of the period / year	**2,438,486,340**	2,041,641,506	2,257,857,722
Net assets per share (RO)	**0.191**	0.198	0. 209

10. Net interest income

	Unaudited 31st March 2018 RO'000	Unaudited 31stMarch 2017 RO'000
Loans, advances and financing to customers	**39,933**	36,734
Debt investments	**148**	23
Money market placements	**2,066**	1,540
Others	**6**	3
Total interest income	**42,153**	38,300
Deposits from customers	**(18,130)**	(15,006)
Money market deposits	**(2,250)**	(1,748)
Total interest expense	**(20,380)**	(16,754)
Net interest income	**21,773**	21,546

11. Earnings per share (basic and diluted)

The calculation of basic and diluted earnings per share is based on profit for the three month period ended 31st March 2018 attributable to ordinary shareholders as follows:

	Unaudited 31st March 2018	Unaudited 31stMarch 2017
Profit for the period (RO)	**13,592**	12,511
Profit for the period attributable to equity holders of the bank after coupon and issuance cost on Tier 1 capital securities	**13,592**	12,511
Number of shares outstanding at the end of the period	**2,324,448,732**	2,108,232,516
Earnings per share basic and diluted (RO)	**0.006**	0.006

11. Earnings per share (basic and diluted) (continued)

Earnings per share (basic and diluted) have been derived by dividing the profit for the period attributable to equity holders of the bank after coupon on Tier I capital securities by the number of shares outstanding. As there are no dilutive potential shares issued by Bank, the diluted earnings per share is identical to the basic earnings per share.

For the purpose of earning per share calculation, the Bank has restated the previous year weighted average number of shares outstanding to include the 8% bonus shares of 180,628,618 shares issued in the first quarter of 2018.

12. Related parties transactions

In the ordinary course of business, the Bank conducts transactions with certain of its Directors, shareholders and companies over which they are able to exert significant influence. The aggregate amounts of balances with such related parties are as follows:

	Unaudited 31st March 2018 RO'000	Unaudited 31st March 2017 RO'000	Audited 31 December 2017 RO'000
Loans, advances and financing			
Directors and shareholders holding 10% or more interest in the Bank	**35,416**	14,801	36,588
Other related parties	**18,277**	45,556	18,345
	53,693	60,357	54,933
Subordinated loans			
Directors and shareholders holding 10% or more interest in the Bank	**23,663**	21,663	36,663
Other related parties	**19,775**	17,775	31,775
	43,438	39,438	68,438
Deposits and other accounts			
Directors and shareholders holding 10% or more interest in the Bank	**288,799**	165,956	176,576
Other related parties	**144,306**	117,130	129,123
	433,105	283,086	305,699
Contingent liabilities and commitments			
Directors and shareholders holding 10% or more interest in the Bank	**314**	840	308
Other related parties	**3,260**	2,546	2,767
	3,574	3,386	3,075
Remuneration paid to Directors			
Chairman			
– remuneration paid	**15**	16	15
– sitting fees paid	**5**	3	10
Other Directors			
– remuneration paid	**107**	107	107
– sitting fees paid	**25**	17	68
	152	143	200
Other transactions			
Rental payment to related parties	**117**	120	480
Other transactions	**14**	14	80
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	**35**	35	46

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FOR THE THREE MONTH PERIOD ENDED 31st March 2018

12. Related parties transactions (continued)

The details of senior member borrowings as per the guidance available in regulatory requirements of Central Bank of Oman are set out as follows:

Senior member of the bank

	Unaudited 31st March 2018 RO'000	Unaudited 31st March 2017 RO'000	Audited 31 December 2017 RO'000
Total exposure:			
Direct	**58,863**	64,932	60,052
Indirect	**3,608**	3,386	3,150
	62,471	68,318	63,202
Number of members	**30**	31	25

13. Contingent liabilities

Letters of credit and guarantees for which there are corresponding customer liabilities:

	Unaudited 31st March 2018 RO'000	Unaudited 31st March 2017 RO'000	Audited 31 December 2017 RO'000
Letters of credit	**105,095**	128,159	132,067
Guarantees and performance bonds	**920,113**	906,821	886,902
	1,025,208	1,034,980	1,018,969

14. Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders within acceptable risk return framework. The Bank's overall strategy remains unchanged from prior year.

The capital base of the Bank consists of debt, which includes borrowings and equity attributable to shareholders of the Bank comprising issued share capital, share premium, reserves and retained earnings.

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FOR THE THREE MONTH PERIOD ENDED 31st March 2018

14. Capital risk management (continued)

Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for three month period ended 31st March 2018 is 14.03**%** (31st March 2017 – 14.16%, 31 December 2017 – 15.44%).

Capital structure	**Unaudited 31st March 2018 RO'000**	Unaudited 31stMarch 2017 RO'000	Audited 31 December 2017 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	**243,849**	204,164	225,786
Legal reserve	**50,254**	45,176	50,254
Share premium	**77,564**	59,618	77,564
Special reserve	**18,488**	18,488	18,488
Subordinated bonds and loan reserve	**42,325**	31,550	42,325
Retained earnings	**8,430**	32,406	10,145
Proposed bonus shares	**-**	-	18,063
CET I/Tier I Capital	**440,910**	391,402	442,625
Additional Tier I regulatory adjustments:			
Deferred tax Assets	**(62)**	(62)	(62)
Goodwill	**(1,092)**	(1,489)	(1,191)
Reciprocal crossholding of bank capital	**(709)**	-	-
Negative investment revaluation reserve	**(448)**	(318)	(233)
Total CET 1 capital	**438,599**	389,533	441,139
additional Tier I capital (AT1)	**115,500**	115,500	115,500
Total Tier 1 Capital (T1=CET1+AT1)	**554,099**	505,033	556,639
TIER II CAPITAL			
Investment revaluation reserve	**283**	508	275
Collective provision	**19,801**	41,568	43,606
Subordinated loan	**21,550**	22,325	46,550
Total Tier II capital	**41,634**	64,401	90,431
Total eligible capital	**595,733**	569,434	647,070
Risk weighted assets			
Banking book	**3,914,895**	3,730,532	3,881,383
Trading book	**87,373**	66,502	64,370
Operational risk	**243,793**	224,316	243,793
Total	**4,246,061**	4,021,350	4,189,546
Total Tier 1 Capital (T1=CET1+AT1)	**554,099**	505,033	556,639
Tier II capital	**41,634**	64,401	90,431
Tier III capital	**-**	-	-
Total regulatory capital	**595,733**	569,434	647,070
Common Equity Tier 1 ratio	**10.33%**	9.69%	10.53%
Tier I capital ratio	**13.05%**	12.56%	13.29%
Total capital ratio	**14.03%**	14.16%	15.44%

14. Capital risk management (continued)

Capital adequacy (continued)

As per CBO circular BSD/2018/1 dated 20 March 2018, minimum capital adequacy ratio requirement has been reduced to 11% with effect from 1 April 2018. As per new ratio, Tier 2 capital will be restricted to 2% from 3%. CET 1, Tier 1 and capital conservation buffer requirements remained unchanged.

The adoption of IFRS 9 as disclosed in note 3 did not have a significant impact on the total Capital Adequacy Ratio of the Bank as of 31 March 2018. Had the Bank not adopted IFRS 9, total Capital Adequacy Ratio would have been 14.64% instead of 14.03% and Common Equity Tier 1 (CET 1) Capital Adequacy Ratio would have been 10.37% instead of 10.33% as of 31 March 2018.

15. Fair value information

The fair values of all on and off-balance sheet financial instruments at reporting dates are considered by the Board and Management not to be materially different to their book values and the related details are set out below:

As of 31st March 2018	Amortised cost RO'000	Designated as at FVTPL RO'000	FVOCI – debt instruments RO'000	FVOCI - equity instruments RO'000	Total carrying value RO'000	Fair value RO'000
Cash and balances with Central Bank of Oman	**246,320**	**-**	**-**	**-**	**246,320**	**246,320**
Loan, advances and financing to banks	**325,119**	**-**	**-**	**-**	**325,119**	**325,119**
Loan, advances and financing to customers	**3,220,569**	**-**	**-**	**-**	**3,220,569**	**3,220,569**
Investment securities:						
Measured at fair value	**-**	**4,812**	**13,931**	**36,336**	**55,079**	**55,079**
Amortised cost investment	**239,950**	**-**	**-**	**-**	**239,950**	**239,950**
	4,031,958	**4,812**	**13,931**	**36,336**	**4,087,037**	**4,087,037**
Due to banks	**216,549**	**-**	**-**	**-**	**216,549**	**216,549**
Deposits from customers	**3,157,702**	**-**	**-**	**-**	**3,157,702**	**3,157,702**
Subordinated loans	**63,875**	**-**	**-**	**-**	**63,875**	**63,875**
	3,438,126	**-**	**-**	**-**	**3,438,126**	**3,438,126**

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FOR THE THREE MONTH PERIOD ENDED 31st March 2018

15. Fair value information (continued)

As of 31st March 2017	Loans and receivables	Available-for-sale	Held-to-maturity	Other amortised cost	Total carrying value	Fair value
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	351,681	-	-	-	351,681	351,681
Loan, advances and financing to banks	334,327	-	-	-	334,327	334,327
Loan, advances and financing to customers	3,081,859	-	-	-	3,081,859	3,081,859
Investment securities:						
Measured at fair value	-	29,830	208,718	-	238,548	238,548
	3,767,867	29,830	208,718	-	4,006,415	4,006,415
Due to banks	-	-	-	261,341	261,341	261,341
Deposits from customers	-	-	-	3,128,061	3,128,061	3,128,061
Subordinated loans	-	-	-	53,875	53,875	53,875
	-	-	-	3,443,277	3,443,277	3,443,277

As of 31st December 2017	Loans and receivables	Available-for-sale	Held-to-maturity	Other amortised cost	Total carrying value	Fair value
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	326,819	-	-	-	326,819	326,819
Loan, advances and financing to banks	299,896	-	-	-	299,896	299,896
Loan, advances and financing to customers	3,248,873	-	-	-	3,248,873	3,248,873
Investment securities:						
Measured at fair value	-	35,812	255,043	-	290,855	290,855
	3,875,588	35,812	255,043	-	4,166,443	4,166,443
Due to banks	-	-	-	387,742	387,742	387,742
Deposits from customers	-	-	-	3,068,409	3,068,409	3,068,409
Subordinated loans	-	-	-	88,875	88,875	88,875
	-	-	-	3,545,026	3,545,026	3,545,026

15. Fair value information (continued)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31st March 2018	**Level 1 RO'000**	**Level 2 RO'000**	**Level 3 RO'000**	**Total RO'000**
Financial assets				
Investments at FVTPL	**2,571**	**2,241**	**-**	**4,812**
Investments at FVOCI	**49,580**	**687**	**-**	**50,267**
Total assets	**52,151**	**2,928**	**-**	**55,079**

At 31 March 2017	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Financial assets				
Equity instruments	10,906	2,363	-	13,269
Fixed income instruments Sukuk	6,363	10,198	-	16,561
Total assets	17,269	12,561	-	29,830

At 31 December 2017	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Assets				
Available-for-sale investments				
Equity instruments	10,354	3,116	-	13,470
Sukuk	12,144	10,198	-	22,342
Total assets	22,498	13,314	-	35,812

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index process and expected price volatilities and correlations.

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

15. Fair value information (continued)

At 31 March 2018	Contract / notional amount RO'000	Fair value increase / decrease Assets RO'000	Liabilities RO'000
Derivatives:			
Currency forward - purchase contracts	**1,064,832**	**212**	**-**
Currency forward - sales contracts	**1,059,742**	**-**	**270**
Interest rate swaps	**82,410**	**-**	**-**

At 31 March 2017	Contract / notional amount RO'000	Fair value increase / decrease Assets RO'000	Liabilities RO'000
Derivatives:			
Currency forward - purchase contracts	572,872	-	316
Currency forward - sales contracts	570,360	959	-
Interest rate swaps	15,400	36	36
Currency options – bought	3,741	-	24
Currency options – sold	3,741	24	-

At 31 December 2017	Contract / notional amount RO'000	Fair value increase / decrease Assets RO'000	Liabilities RO'000
Derivatives:			
Currency forward - purchase contracts	610,561	1,132	-
Currency forward - sales contracts	605,837	-	1,243
Interest rate swaps	86,185	6,558	6,396

16. Segmental information

The Bank is organised into three main business segments:

a) Retail banking – incorporating private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;

b) Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products; and

c) Treasury and investments

Other operations comprise investment management and institutional finance neither of which constitutes a separately reportable segment.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Bank's cost of capital. There are no other material items of income or expense between the business segments.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation and borrowings.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31st March 2018

16. Segmental information (continued)

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Included in the segment information the consolidated results of the Bank as below:

At 31st March 2018	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	21,251	23,837	2,366	47,454
Other revenues	1,305	2,851	4,768	8,924
Segment operating revenues	22,556	26,688	7,134	56,378
Interest, Islamic Window Deposit expenses	(8,586)	(13,287)	(1,443)	(23,316)
Net operating income	13,970	13,401	5,691	33,062
Segment cost				
Operating expenses including depreciation	(8,447)	(6,912)	(1,143)	(16,502)
Impairment for loans and investment net recoveries from allowance for loans impairment	(474)	486	(110)	(98)
Profit from operations after provision	5,049	6,975	4,438	16,462
Tax expenses	(881)	(1,215)	(774)	(2,870)
Profit for the period	4,168	5,760	3,664	13,592
Segment assets	1,562,958	2,113,420	649,692	4,326,070
Less: Impairment allowance	(71,149)	(51,946)	(1,018)	(124,113)
Total segment assets	1,491,809	2,061,474	648,674	4,201,957
Segment liabilities	656,878	2,683,106	280,592	3,620,576

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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16. Segmental information (continued)

Included in the segment information the results of Islamic Banking Window as below:

At 31st March 2018	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	2,041	3,166	94	5,301
Other revenues	92	133	812	1,037
Segment operating revenues	2,133	3,299	906	6,338
Profit expenses holders' share of profit	(117)	(2,767)	(52)	(2,936)
Net operating income	2,016	532	854	3,402
Segment cost				
Operating expenses including depreciation	(1,053)	(554)	(108)	(1,715)
Impairment allowance	64	350	(110)	304
Profit for the period	1,027	328	636	1,991
Segment assets	161,489	225,524	91,858	478,871
Less: Impairment allowance	(192)	(4,094)	(157)	(4,443)
Total segment assets	161,297	221,430	91,701	474,428
Segment liabilities	43,571	341,790	7,868	393,229

16. Segmental information (continued)

Included in the segment information the consolidated results of the Bank is as below:

At 31st March 2017	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	20,447	20,283	1,638	42,368
Other revenues	1,436	3,578	3,824	8,838
Segment operating revenues	21,883	23,861	5,462	51,206
Interest, Islamic Window Deposit expenses	(7,440)	(10,746)	(956)	(19,142)
Net operating income	14,443	13,115	4,506	32,064
Segment cost				
Operating expenses including depreciation	(7,203)	(6,601)	(931)	(14,735)
Impairment for loans and investment net recoveries from allowance for loans impairment	(2,025)	(585)	-	(2,610)
Profit from operations after provision	5,215	5,929	3,575	14,719
Tax expenses	(783)	(889)	(536)	(2,208)
Profit for the period	4,432	5,040	3,039	12,511
Segment assets	1,598,406	1,983,441	630,900	4,212,747
Less: Impairment allowance	(57,211)	(66,024)	(409)	(123,644)
Total segment assets	1,541,195	1,917,417	630,491	4,089,103
Segment liabilities	656,740	2,596,434	315,435	3,568,609

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31st March 2018

16. Segmental information (continued)

Included in the segment information the results of Islamic Banking Window as below:

At 31st March 2017	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	1,586	2,470	12	4,068
Other revenues	59	183	418	660
Segment operating revenues	1,645	2,653	430	4,728
Profit expenses holders' share of profit	(95)	(2,199)	(94)	(2,388)
Net operating income	1,550	454	336	2,340
Segment cost				
Operating expenses including depreciation	(583)	(908)	(4)	(1,495)
Impairment allowance	(147)	(560)	-	(707)
Profit for the period	820	(1,014)	332	138
Segment assets	140,787	202,967	58,641	402,395
Less: Impairment allowance	(1,546)	(2,232)	-	(3,778)
Total segment assets	139,241	200,735	58,641	398,617
Segment liabilities	28,690	279,128	27,169	334,987

Included in the segment information the consolidated results of Bank as below:

At 31st December 2017	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment assets	1,580,149	2,070,435	734,487	4,385,071
Less: Impairment allowance	(66,404)	(71,548)	(409)	(138,361)
Total segment assets	1,513,745	1,998,887	734,078	4,246,710
Segment liabilities	640,590	2,542,029	477,084	3,659,703

Included in the segment information the results of Islamic Banking Window as below:

At 31st December 2017	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment assets	157,839	233,266	139,318	530,423
Less: Impairment allowance	(1,787)	(2,685)	-	(4,472)
Total segment assets	156,052	230,581	139,318	525,951
Segment liabilities	41,481	343,251	72,417	457,149