



AHLI BANK SAOG

**Interim condensed financial statements
30-Jun-20**

CONTENTS OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

Chairman's report

Report on review of interim condensed financial statements

Interim condensed statement of financial position

Interim condensed statement of comprehensive income

Interim condensed statement of changes in equity

Interim condensed statement of cash flows

Notes to the interim condensed financial statements

Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors, I'm glad to present the Chairman's Report and Financial Statements of Ahli Bank SAOG for the half year ended June 30, 2020 (Q2 and H1 report).

COVID-19 pandemic has had an unprecedented impact on financial markets globally and in Oman. Experts are unanimous in their view that the effects of this pandemic on financial sector will be for a very long time. Oman has however responded incisively to the pandemic with the Supreme Committee formulated under the directives of His Majesty by taking a number of measures to reboot the economy. The Central Bank of Oman (CBO) has also come up with a comprehensive stimulus package to revive liquidity in the economy in addition to recommending a set of precautionary measures for the banking sector.

Digitalization is accelerating with the COVID-19 pandemic and the Banking sector has seen vast increase in online and mobile banking services as digital interaction with Banks has become the preferable option for the customers. ahlibank continues to serve its customers through various e-channels in addition to bank's branches operating as usual, by adhering to the directives of the Supreme Committee and the regulators.

Financial Performance

The Bank's total assets grew by 4.8% as of June 2020 on a year-on-year basis to reach RO 2.49 billion. Loans & advances and financing grew by 8.1% to reach RO 2.15 billion. The customer deposits went up by marginally by 1.7% to reach RO 1.64 billion.

	30-June-20	30-June-19	Growth %
	RO Million		
Total assets	2,497.2	2,382.8	4.8
Loans & advances and financing, net	2,148.1	1,987.5	8.1
Customers' deposits	1,639.7	1,612.4	1.7
Equity	377.1	375.2	0.5
Operating income	36.32	34.24	6.1
Operating expenses	15.30	13.47	13.6
Profit for the period	12.50	14.92	(16.2)

The Bank's operating income increased by 6.1% to reach RO 36.32 million for the period ended June 30, 2020. The operating expenses increased by 13.6% mainly due to RO 1

Million donation contributed by ahlibank in March 2020 to Ministry of Health in supporting the Supreme Committee's efforts in controlling the pandemic. The profit for the period was lower by 16.2% mainly due to additional impairment charge taken given the prevailing operating environment due to Covid-19 impact.

ahlibank continues to pursue a prudent growth strategy and remains focused on high quality assets and well managed liquidity.

Achievements

Continuing its pro-customer initiatives, ahlibank, entered into a strategic alliance with Dhofar Insurance Company, offering its customers retail products including Motor, Travel, Persona accident & others under its 'Bancassurance' portfolio. The second quarter also witnessed the announcement of 'Salary for Life' draw under the 2020 Wafra Prize Scheme. An upgraded B2B electronic platform – 'Ahli B2B', was rolled out for corporate customers with a host of special features. ahlibank held its Extraordinary General Meeting and Annual Ordinary General Meeting on June 3, via the electronic platform for general meetings on Muscat Clearing and Depository's website and elected its new Board of Directors.

Corporate Social Responsibility

The Bank has always been in the forefront of contributing to the success of various humanitarian and community oriented initiatives that benefit the country and the society. As part of its social responsibility initiative (Ahli cares), ahlibank extended financial support, for the seventh year in a row, to the 'Fak Kurba' initiative implemented by the Oman Lawyers' Association (OLA) in coordination with the Ministry of Social Development and the Council of Administrative Affairs for the Judiciary. This humanitarian initiative has over the years facilitated a number of people to rebuild their lives and has also brought joy to their families during the Holy Month of Ramadan. The Bank also extended support to a number of charity associations during the Holy Month of Ramadan in line with its Corporate Social Responsibility (CSR) initiatives.

Looking Ahead

ahlibank stands committed to maintain steady growth and continue the proactive customer-oriented initiatives. COVID-19 pandemic has underlined the need for business transformation to sustain and thrive in the future and also offers a new set of opportunities that demands innovative ways of doing business. ahlibank will continue to pursue and enhance customer-oriented financial services further to provide seamless customer

experience and also serve the nation's varied needs. Information and communications technology (ICT) sector is expected to attract more investments, given the rapid rate of digitalisation or transfer of transactions to the digital formats. Such a shift would align with existing strategies to bolster ICT development, a key pillar of Vision 2040, the country's long-term development plan. ahlibank will continue to seize the opportunities in the ICT sector for customer service excellence.

Like most other sectors, Banks are facing an environment of extremely high uncertainty due to the impact of COVID-19. At this stage, predicting the specifics of the 'new normal' is virtually impossible. However, ahlibank remains optimistic that with the introduction of laws related to public & private partnerships, foreign capital investments, bankruptcy etc., and other proactive measures taken by the Government will result in turnaround of Oman's economy, very soon.

Acknowledgments

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

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

Finally, I would like to convey our acknowledgement and appreciation to the Bank's Executive Management team and employees for their commitment and dedication to the overall success of the Bank, especially in the light of the COVID-19 pandemic. Lastly, but certainly not the least – I would like to thank our customers for their continued loyalty and trust.

Hamdan Ali Nasser Al Hinai
Chairman

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

Audited 31-Dec-19 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Note	Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Audited 31-Dec-19 RO '000
ASSETS							
281,797	231,182	154,434	Cash and balances with Central Bank of Oman		59,457	89,005	108,492
130,587	76,213	53,951	Due from banks		20,771	29,342	50,276
5,337,626	5,162,444	5,579,592	Loans & advances and Financing, net	5	2,148,143	1,987,541	2,054,986
670,514	617,800	585,569	Investment securities	6	225,444	237,853	258,148
66,055	52,023	56,003	Other assets		21,561	20,029	25,431
-	3,891	-	Deferred tax asset (net)		-	1,498	-
11,549	9,801	11,561	Intangible Assets		4,451	3,773	4,446
43,500	35,805	45,244	Property, equipment and software		17,419	13,785	16,748
6,541,628	6,189,159	6,486,354	TOTAL ASSETS		2,497,246	2,382,826	2,518,527
LIABILITIES							
513,519	549,431	515,852	Due to banks		198,603	211,531	197,705
4,446,042	4,187,932	4,258,997	Customers' deposits	7	1,639,714	1,612,354	1,711,726
330,000	260,000	490,000	Borrowed funds		188,650	100,100	127,050
314	-	600	Deferred tax liability		231	-	121
196,701	152,374	197,213	Other liabilities		75,927	58,664	75,730
44,156	64,936	44,156	Subordinated liabilities		17,000	25,000	17,000
5,530,732	5,214,673	5,506,818	TOTAL LIABILITIES		2,120,125	2,007,649	2,129,332
EQUITY							
408,078	408,078	428,483	Share capital	9	164,966	157,110	157,110
82,161	74,104	82,161	Legal reserve		31,632	28,530	31,632
36,364	54,748	39,961	Subordinated debt reserve		15,385	21,078	14,000
(10,995)	(21,771)	(21,919)	Fair value reserve		(8,439)	(8,382)	(4,233)
4,917	4,960	4,917	Special reserve		1,893	1,910	1,893
24,244	27,034	24,504	Impairment reserve		9,434	10,408	9,334
144,049	105,255	99,351	Retained earnings		38,250	40,523	55,459
688,818	652,408	657,458	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK		253,121	251,177	265,195
322,078	322,078	322,078	Tier 1 Perpetual subordinated bonds		124,000	124,000	124,000
1,010,896	974,486	979,536	TOTAL EQUITY		377,121	375,177	389,195
6,541,628	6,189,159	6,486,354	TOTAL LIABILITIES AND EQUITY		2,497,246	2,382,826	2,518,527
44	42	40	Net assets value per share (US cents / baizas)	15.2	153	160	169
754,512	831,758	755,185	Contingent liabilities and commitments	19	290,746	320,227	290,487

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

Hamdan Ali Nasser Al Hinai
Chairman

Said Abdullah Al Hatmi
Chief Executive Officer

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

Six month period ended		Three month period ended			Three month period ended		Six month period ended		
Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Note	Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000
132,231	144,197	67,512	71,979	Interest income	10	27,712	25,992	55,516	50,909
(68,984)	(82,558)	(35,610)	(40,917)	Interest expense	11	(15,753)	(13,710)	(31,785)	(26,559)
63,247	61,639	31,902	31,062	NET INTEREST INCOME		11,959	12,282	23,731	24,350
23,699	25,860	12,151	12,774	Income from Islamic financing and investments		4,918	4,678	9,956	9,124
(15,481)	(8,143)	(7,971)	(4,132)	Unrestricted investment account holders' share of profit and profit expense		(1,591)	(3,069)	(3,135)	(5,960)
8,218	17,717	4,180	8,642	NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		3,327	1,609	6,821	3,164
71,465	79,356	36,082	39,704	NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		15,286	13,891	30,552	27,514
14,006	11,112	7,239	4,252	Fees and commission income		1,637	2,787	4,278	5,392
(325)	(704)	(299)	(434)	Fees and commission expense		(167)	(115)	(271)	(125)
13,681	10,408	6,940	3,818	Net fees and commission income	13	1,470	2,672	4,007	5,267
3,777	4,582	1,439	1,829	Other operating income	12	704	554	1,764	1,454
88,923	94,346	44,461	45,351	OPERATING INCOME		17,460	17,117	36,323	34,235
(7,642)	(19,616)	(2,935)	(13,403)	Net impairment on financial assets	14	(5,160)	(1,130)	(7,552)	(2,942)
(1,205)	-	(1,205)	-	Loans & advances and financing written off		-	(464)	-	(464)
80,076	74,730	40,321	31,948	NET OPERATING INCOME		12,300	15,523	28,771	30,829
(21,712)	(23,169)	(10,803)	(11,595)	Staff expenses		(4,464)	(4,159)	(8,920)	(8,359)
(2,740)	(3,166)	(1,434)	(1,582)	Depreciation		(609)	(552)	(1,219)	(1,055)
(10,535)	(13,392)	(5,644)	(5,099)	Other operating expenses		(1,963)	(2,173)	(5,156)	(4,056)
(34,987)	(39,727)	(17,881)	(18,276)	OPERATING EXPENSES		(7,036)	(6,884)	(15,295)	(13,470)
45,089	35,003	22,440	13,672	PROFIT BEFORE TAXATION		5,264	8,639	13,476	17,359
(6,330)	(2,532)	(2,932)	582	Tax expense		224	(1,129)	(975)	(2,437)
38,759	32,471	19,508	14,254	PROFIT FOR THE PERIOD		5,488	7,510	12,501	14,922
				OTHER COMPREHENSIVE INCOME / EXPENSE - NET OF TAX					
				<i>Items that will not be reclassified to profit or loss</i>					
(1,494)	(499)	(429)	652	Changes in fair value of FVOCI equity investments		251	(165)	(192)	(575)
158	10	13	-	Realized gain on equity investment at FVOCI		-	5	4	61
				<i>Items that may be reclassified to profit or loss</i>					
(4,026)	(5,631)	(2,161)	(790)	Changes in fair value of cash flow hedge - net		(304)	(832)	(2,168)	(1,550)
1,569	(4,795)	(462)	34,525	Changes in fair value of FVOCI debt investments - net		13,292	(178)	(1,846)	604
(3,793)	(10,915)	(3,039)	34,387	OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		13,239	(1,170)	(4,202)	(1,460)
34,966	21,556	16,469	48,641	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		18,727	6,340	8,299	13,462
2	2	1	1	Basic and diluted earnings per share (US cents / baizas)	15.1	3	5	8	9

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

	Share capital		Legal reserve		Subordinated debt reserve		Fair value reserve		Special reserve		Impairment reserve		Retained earnings		Total equity	
	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000
Balance at 1 January 2020	157,110	31,632	14,000	(4,233)	1,893	9,334	12,501	(4,202)	1,893	9,334	12,501	(4,202)	55,459	265,195	124,000	389,195
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	12,501	(4,202)	-	8,299
Other comprehensive expense, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	(1,385)	(100)	-	(1,485)
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	(1,385)	(100)	-	(1,485)
Transfer to subordinated debt reserve	-	-	1,385	-	-	-	-	-	-	-	-	-	100	-	-	100
Transfer to impairment reserve	-	-	-	-	-	-	-	-	-	-	-	-	(4,662)	-	-	(4,662)
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	-	-	-	-	-	4	-	-	4
Gain on sale of equity investments at FVOCI	-	-	-	-	-	-	-	(4)	-	-	-	-	-	-	-	(4)
Transactions with owners recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	(7,856)	-	-	(7,856)
Issue of bonus shares	7,856	-	-	-	-	-	-	-	-	-	-	-	(15,711)	-	-	(15,711)
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2020 RO (unaudited)	164,966	31,632	15,385	(8,439)	1,893	9,434	12,501	(4,202)	1,893	9,434	12,501	(4,202)	38,250	253,121	124,000	377,121
Balance at 30 June 2020 (US\$ '000) (unaudited)	428,483	82,161	39,961	(21,919)	4,917	24,504	32,207	(10,995)	4,917	24,504	32,207	(10,995)	99,351	657,458	322,078	979,535

	Share capital		Legal reserve		Subordinated debt reserve		Fair value reserve		Special reserve		Impairment reserve		Retained earnings		Total equity	
	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000	RO '000	US\$ '000
Balance at 1 January 2019	149,629	28,530	18,600	(6,861)	1,927	7,710	14,922	(1,460)	1,927	7,710	14,922	(1,460)	55,469	255,004	104,000	359,004
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	14,922	(1,460)	-	13,462
Other comprehensive expense, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	(2,478)	17	-	(2,461)
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	(2,478)	17	-	(2,461)
Transfer to subordinated debt reserve	-	-	2,478	-	-	-	-	-	-	-	-	-	17	-	-	17
Transfer from special reserve	-	-	-	-	(17)	-	-	-	(17)	-	-	-	(2,698)	-	-	(2,715)
Transfer to impairment reserve	-	-	-	-	-	-	-	-	-	2,698	-	-	(3,889)	-	-	(1,191)
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	-	-	-	-	-	1,563	-	-	1,563
Deferred tax asset on impairment reserve	-	-	-	-	-	-	(61)	-	-	-	-	-	61	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	-	-	-	-	-	-	-	-	-	(7,481)	-	-	(7,481)
Transactions with owners recognised directly in equity	7,481	-	-	-	-	-	-	-	-	-	-	-	(14,963)	-	-	(14,963)
Issue of bonus shares	-	-	-	-	-	-	-	-	-	-	-	-	-	20,000	-	20,000
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2019 RO (unaudited)	157,110	28,530	21,078	(8,382)	1,910	10,408	14,922	(1,460)	1,910	10,408	14,922	(1,460)	40,523	251,177	124,000	375,177
Balance at 30 June 2019 (US\$ '000) (unaudited)	408,078	74,104	54,748	(21,771)	4,960	27,034	32,207	(10,995)	4,960	27,034	32,207	(10,995)	105,255	652,408	322,078	974,486
Balance at 1 July 2019	157,110	28,530	21,078	(8,382)	1,910	10,408	14,922	(1,460)	1,910	10,408	14,922	(1,460)	40,523	251,177	124,000	375,177
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	16,093	4,152	-	20,245
Other comprehensive expense, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	(3,102)	1,074	-	(2,028)
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	(3,102)	1,074	-	(2,028)
Transfer to legal reserve	-	-	3,102	-	-	-	-	-	-	-	-	-	1,074	-	-	4,176
Transfer to impairment reserve	-	-	-	-	-	-	-	-	-	(1,074)	-	-	17	-	-	(1,057)
Transfer from special reserve	-	-	-	-	(17)	-	-	-	(17)	-	-	-	3	-	-	(14)
Gain on sale of equity investments at FVOCI	-	-	-	-	-	-	(3)	-	-	-	-	-	(1,563)	-	-	(1,566)
Deferred tax asset reversal on impairment reserve	-	-	-	-	-	-	-	-	-	-	-	-	(4,664)	-	-	(4,664)
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	-	-	-	-	-	8,000	-	-	8,000
Transfer from subordinated debt reserve	-	-	(8,000)	922	-	-	-	-	-	-	-	-	(922)	-	-	(8,922)
Transfer to subordinated debt reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2019 RO	157,110	31,632	14,000	(4,233)	1,893	9,334	12,501	(4,202)	1,893	9,334	12,501	(4,202)	55,459	265,195	124,000	389,195
Balance at 31 December 2019 (US\$ '000)	408,078	82,161	36,364	(10,995)	4,917	24,244	32,207	(10,995)	4,917	24,244	32,207	(10,995)	144,049	688,818	322,078	1,010,896

Appropriation to legal reserve is made on an annual basis.

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000
CASH FLOWS FROM OPERATING ACTIVITIES				
45,088	35,003	Profit before taxation	13,476	17,359
Adjustments for:				
2,740	3,166	Depreciation	1,219	1,055
8,847	19,616	Net impairment on financial assets and write off	7,552	3,406
135	135	End of service benefits provision	52	52
-	(696)	Unrealised gain on investments securities	(268)	-
56,810	57,224	Operating profit before working capital changes	22,031	21,872
(40,000)	(52,060)	Decrease in due to banks	(20,043)	(15,400)
(5)	(75)	End of service benefits paid	(29)	(2)
(312,390)	(261,582)	Increase in loans & advances and financing	(100,709)	(120,270)
190	(777)	Net movement in FVTPL investment securities	(299)	73
(17,706)	10,052	Decrease/ (Increase) in other assets	3,870	(6,817)
(128,029)	(187,044)	Decrease in customers' deposits	(72,012)	(49,291)
35,677	7,719	Increase in other liabilities	2,972	13,736
(405,453)	(426,543)	Cash used in operations	(164,219)	(156,099)
(9,109)	(9,514)	Tax paid	(3,663)	(3,507)
(414,562)	(436,057)	Net cash used in operating activities	(167,882)	(159,606)
CASH FLOWS FROM INVESTING ACTIVITIES				
(29,748)	(54,457)	Increase in investment, net (excluding FVTPL investment)	(20,966)	(11,453)
(9,335)	(4,922)	Purchase of property and equipment	(1,895)	(3,594)
(39,083)	(59,379)	Net cash used in investing activities	(22,861)	(15,047)
CASH FLOWS FROM FINANCING ACTIVITIES				
(38,865)	(40,808)	Dividends paid	(15,711)	(14,963)
125,000	160,000	Increase in borrowed funds	61,600	48,125
51,948	-	Proceeds from Tier 1 perpetual subordinated bond	-	20,000
(10,101)	(12,109)	Interest paid on Tier 1 perpetual subordinated bond	(4,662)	(3,889)
127,982	107,083	Net cash generated from financing activities	41,227	49,273
(325,663)	(388,353)	Net change in cash and cash equivalents	(149,516)	(125,380)
352,382	169,522	Cash and cash equivalents at 1 January	65,266	135,667
26,719	(218,831)	Cash and cash equivalents at 30 June	(84,250)	10,287
Cash and cash equivalent comprises of the following:				
30-Jun-19 US\$ '000	30-Jun-20 US\$ '000		30-Jun-20 RO '000	30-Jun-19 RO '000
229,818	153,070	Cash and current balances with Central Bank of Oman	58,932	88,480
76,213	53,951	Due from banks	20,771	29,342
159,501	-	Treasury bills with three months maturity	-	61,408
(438,813)	(425,852)	Due to banks	(163,953)	(168,943)
26,719	(218,831)		(84,250)	10,287
Reconciliation of liabilities arising from financing activities				
30-Jun-19 US\$ '000	30-Jun-20 US\$ '000		30-Jun-20 RO '000	30-Jun-19 RO '000
Borrowed funds				
135,000	330,000	Balance at beginning of the period	127,050	51,975
125,000	160,000	Cash flows	61,600	48,125
260,000	490,000	Balance at end of the period	188,650	100,100

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

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 28 branches (18 conventional and 10 Islamic branches). The registered address of the Bank is PO Box 545, Mina Al Fahal, Postal Code 116, Sultanate of Oman.

The Bank employed 685 employees as at 30 June 2020 compared to 625 as at 30 June 2019 and 656 as at 31 December 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed financial statements for the six month period ended 30 June 2020 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the disclosure requirements set out in the Rules and Disclosure and Proformas issued by the Capital Market Authority (CMA).

The unaudited interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the six month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year 2020.

The accounting policies applied in these interim condensed financial statements are the same as those applied in the annual financial statements for the year ended 31 December 2019.

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 and presentation 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 as a supplementary information only, using the exchange rate of RO 0.385 = US\$ 1.00.

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

- Financial Assets RO 480.961 million equivalent to US\$ 1,249.249 million.
- Financial Liabilities RO 490.380 million equivalent to US\$ 1,273.714 million.

In addition, the Bank's exposure to Interest rate swaps in hedging relationships may also be impacted by LIBOR replacement. The notional value of these swaps is RO 205.159 million equivalent to US\$ 532.879 million as of 30th June 2020.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Coronavirus (Covid-19) outbreak and its impact

The Covid-19 pandemic has caused an unprecedented human and health crisis. The measures necessary to contain the virus have triggered an economic downturn. On 11 March 2020, the World Health Organization ("WHO") officially declared COVID-19 a global pandemic. At this point, there is great uncertainty about its severity and length. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty and governments and authorities have instigated a host of measures to contain or delay the spread of the virus.

The Covid-19 pandemic has been accompanied by a low oil price, a major driver of the economy of the Sultanate. Loss of oil revenues, tourism revenues and disruption to supply chains has resulted in a weakening outlook for the macro-economic environment. The Central Bank of Oman ('CBO') have initiated a series of measures, in conjunction with other Government programmes, to support the ability of banks to supply credit to businesses and households through this period of economic disruption.

International Accounting Standard Board (IASB) has issued a guidance note on 27 March 2020 in regard to accounting for expected credit losses by applying IFRS 9- Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic. It provides a guidance on the assessment of significant increase in credit risk (SICR) and the measurement of expected credit loss allowance (ECL) which are required to be based on reasonable and supportable information that is available without undue cost or effort. In assessing macro economic scenarios, consideration should be given both to the effects of covid-19 and the significant government support measures being undertaken in respect of Covid-19 pandemic.

In line with other global regulators, the Central Bank of Oman (CBO) has taken several measures to overcome the prevailing economic conditions such as accepting deferment of loan instalments / interest / profit for affected borrowers particularly SMEs for 6 months without impacting the IFRS 9 risk classification of such loans, deferring the risk classification of loans pertaining to government projects for a period of 6 months etc., Additionally, CBO seeks to facilitate additional lending and liquidity capacity of banks, through the relief of existing capital and liquidity buffers, which have been further elaborated in the sections below:

I. Credit risk management

The Bank's existing credit risk management practices are disclosed in note 36.1 to the financial statements for the year ended 31 December 2019. There are no changes as compared to last year.

I(a). Covid-19 impact on measurement of ECL

A key element in determining the ECL is the assessment of whether a SICR has occurred or not, and accordingly a lifetime Probability of Default (PD) or a 12-month PD is applied. Based on CBO circular in respect of IFRS 9 application, deferment period relating to Covid-19 outbreak will be excluded from the counting of days past due (DPD) for determining the default. Accordingly, the deferment of loan repayment may not be a sole deciding factor for exposure considered to have a SICR or credit impaired, until & unless other supportable evidence exists for deterioration in the credit quality of borrowers.

The main industries such as airline / transportation, hospitality, tourism, oil & gas and automotive sectors will have a significant impact on account of covid-19. Finance companies may also face impacts of this situation due to their exposure towards SME and Retail business impacted by COVID-19. The identification of impacted sectors were based on market assessment, financial information of the borrowers, customer requests for deferments etc.

I(b). Measurement/Impact on ECL

IFRS 9 framework requires the estimation of Expected Credit Loss (ECL) based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Bank utilizes a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes. As per CBO circular BSD/CB/2020/005 dated 03 June 2020, CBO has cautioned the banks in making changes to ECL model on the impact due to covid-19 distress since this will subject to high levels of uncertainty and miscalculation as reasonable and supportable forward looking information may not be currently available to substantiate those changes.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

I. Credit risk management (Continued)

I(b). Measurement/Impact on ECL (Continued)

The Bank has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions used in IFRS 9 ECL model in light of available information. The Bank has conducted multi-pronged assessment which will help in establishing overlays in accordance with the circular as mentioned above. Accordingly, detailed analysis was carried out by incorporating changes to weights of economic scenarios, reduction in oil prices and a decline in GDP growth. The results of these scenarios vary widely depending on the severity of downturn and as such the Bank has incorporated an overlay which is included in the net impairment charge amounting to RO 3.6 million.

For computation of ECL, the Bank revised the scenario weightages and incorporated in the ECL model i.e., Good, bad and base with weightage of 25%, 25% and 50% respectively.

The overall impact of the Covid-19 revised scenarios and other related judgmental overlays on the ECL is shown below:

30-Jun-20			30-Jun-20		
ECL without overlays US\$ '000	ECL with Overlays US\$ '000		ECL without overlays RO'000	ECL with Overlays RO'000	
41,536	40,913	Retail	15,751	15,991	
88,885	80,732	Corporate	31,082	34,221	
3,465	2,891	Others	1,113	1,334	
133,886	124,536	Total	47,946	51,546	

Sensitivity analysis- ECL:

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

30-Jun-20			30-Jun-20		
Impact on ECL US\$ '000	ECL US\$ '000	Particulars	ECL RO'000	Impact on ECL RO'000	
	67,897	ECL on non impaired financial assets under IFRS 9	26,131		
(22,242)	45,655	Good scenario - 100% weighted	17,577	(8,563)	
4,572	72,469	Base scenario - 100% weighted	27,901	1,760	
16,044	83,941	Bad scenario - 100% weighted	32,317	6,177	

30-Jun-20			31-Dec-19		
Impact on ECL US\$ '000	ECL US\$ '000	Particulars	ECL RO'000	Impact on ECL RO'000	
	56,758	ECL on non impaired financial assets under IFRS 9	21,852		
(24,541)	32,218	Good scenario - 100% weighted	12,404	(9,448)	
7,069	63,827	Base scenario - 100% weighted	24,574	2,722	
16,528	73,286	Bad scenario - 100% weighted	28,215	6,363	

30-Jun-20			30-Jun-19		
Impact on ECL US\$ '000	ECL US\$ '000	Particulars	ECL RO'000	Impact on ECL RO'000	
	67,897	ECL on non impaired financial assets under IFRS 9	20,482		
(24,584)	28,615	Good scenario - 100% weighted	11,017	(9,465)	
6,550	59,750	Base scenario - 100% weighted	23,004	2,522	
15,907	69,106	Bad scenario - 100% weighted	26,606	6,124	

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

5. LOANS & ADVANCES AND FINANCING, NET

Audited 31-Dec-19 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Audited 31-Dec-19 RO '000
			Conventional Banking			
3,027,847	2,911,642	3,262,306	Corporate lending	1,255,988	1,120,982	1,165,721
1,535,210	1,490,552	1,537,382	Retail lending	591,892	573,863	591,056
4,563,057	4,402,194	4,799,688	Loans & advances, gross	1,847,880	1,694,845	1,756,777
			Islamic Banking			
526,112	512,626	546,891	Corporate financing	210,553	197,361	202,553
356,325	344,416	363,434	Retail financing	139,922	132,600	137,185
882,437	857,042	910,325	Financing, gross	350,475	329,961	339,738
			Loans & advances and financing, gross	2,198,355	2,024,806	2,096,515
			Loans and financing impairment (including reserve interest and profit)	(50,212)	(37,265)	(41,529)
(107,868)	(96,792)	(130,421)				
5,337,626	5,162,444	5,579,592		2,148,143	1,987,541	2,054,986

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

Audited 31-Dec-19 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Audited 31-Dec-19 RO '000
1,038,010	1,046,683	1,084,052	0-5%	417,360	402,973	399,634
4,045,634	3,900,969	4,256,050	5-7%	1,638,579	1,501,873	1,557,569
334,106	276,987	360,140	7-10%	138,654	106,640	128,631
27,744	34,597	9,771	More than 10%	3,762	13,320	10,681
5,445,494	5,259,236	5,710,013		2,198,355	2,024,806	2,096,515

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

Audited 31-Dec-19 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Audited 31-Dec-19 RO '000
1,414,083	1,378,212	1,643,238	0-1 year	632,647	530,612	544,422
639,203	532,767	641,156	1-3 years	246,845	205,115	246,093
504,283	397,640	490,494	3-5 years	188,840	153,092	194,149
2,780,057	2,853,825	2,804,704	More than 5 years	1,079,811	1,098,722	1,070,322
5,337,626	5,162,444	5,579,592		2,148,143	1,987,541	2,054,986

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

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

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

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

a) Exposure subject to ECL

	30-Jun-20			30-Jun-19			31-Dec-19			Total US\$ '000	Total RO '000	Total US\$ '000	Total RO '000	
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000					
Due from banks (including balances with CBO)	66,860	-	-	66,860	173,662	108,179	108,179	280,984	143,189	-	143,189	371,919		
Loans & advances and financing	1,742,382	399,033	56,940	2,198,355	5,710,013	1,613,280	375,972	35,554	2,024,806	1,684,146	375,931	36,438	2,096,515	5,445,494
Investment securities (excluding equity investments)	220,036	-	-	220,036	571,522	232,524	-	232,524	603,958	252,634	-	-	252,634	656,192
Other assets	7,159	5,899	-	13,058	33,917	8,466	3,819	-	12,285	11,708	6,843	-	18,551	48,184
Loan commitments and financial guarantees	236,517	53,640	-	290,157	753,656	254,142	64,731	32	318,905	225,252	64,200	-	289,452	751,823

b) Movement in impairment allowance and provision

	30-Jun-20			30-Jun-19			31-Dec-19			Total US\$ '000	Total RO '000	Total US\$ '000	Total RO '000	
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000					
Opening balance	3	-	-	3	8	1	-	-	1	3	1	-	1	3
Due from banks (including balances with CBO)	6,116	14,599	20,814	41,529	107,868	6,706	10,097	17,615	34,418	89,397	6,706	10,097	17,615	34,418
Loans & advances and financing	27	-	-	27	70	24	-	-	24	62	24	-	-	24
Investment securities (excluding equity investments)	2	9	-	11	29	7	4	-	11	29	7	4	-	11
Other assets	238	858	-	1,096	2,847	833	142	205	1,180	3,065	833	142	205	1,180
Loan commitments and financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net transfer between stages	2,372	(2,784)	412	-	-	1,321	(1,321)	-	-	-	2,279	(1,600)	(679)	-
Loans & advances and financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment securities	3	(3)	-	-	-	-	-	-	-	-	(3)	3	-	-
Other assets	(13)	13	-	-	-	(189)	189	-	-	-	(343)	343	-	-
Loan commitments and financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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)

	30-Jun-20			30-Jun-19			31-Dec-19			Total US\$ '000	Total RO '000	Total US\$ '000	Total RO '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total US\$ '000	Stage 1 RO '000				
Charge for the period (net)													
Due from banks (including balances with CBO)	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans & advances and financing*	(2,529)	7,023	4,189	8,683	(249)	2,244	851	2,846	(2,869)	6,102	3,878	7,111	18,470
Investment securities (excluding equity investments)	8	-	-	8	4	-	-	4	3	-	-	3	8
Other assets	1	1	-	2	-	-	-	-	(2)	2	-	-	-
Loan commitments and financial guarantees	27	160	-	187	89	580	(196)	473	(252)	373	(205)	(84)	(218)
Closing balance													
Due from banks (including balances with CBO)	3	-	-	3	1	-	-	1	3	-	-	3	8
Loans & advances and financing	5,959	18,838	25,415	50,212	7,778	11,020	18,466	37,264	6,116	14,599	20,814	41,529	107,868
Investment securities (excluding equity investments)	35	-	-	35	28	-	-	28	27	-	-	27	70
Other assets	6	7	-	13	7	4	-	11	2	9	-	11	29
Loan commitments and financial guarantees	252	1,031	-	1,283	733	911	9	1,653	238	858	-	1,096	2,847

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

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

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

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per CBO norms, including those on restructuring of loan 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	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(10)
Standard	Stage 1	1,742,382	25,345	5,959	19,386	1,717,037	1,736,423	-
	Stage 2	257,605	-	7,544	(7,544)	257,605	250,061	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		1,999,987	25,345	13,503	11,842	1,974,642	1,986,484	-
Special Mention	Stage 1	141,428	-	11,294	(11,294)	141,428	130,134	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		141,428	-	11,294	(11,294)	141,428	130,134	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	11,959	2,930	1,811	1,119	8,791	10,148	238
	Stage 3	-	-	-	-	-	-	-
Subtotal		11,959	2,930	1,811	1,119	8,791	10,148	238
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	12,792	4,151	3,649	502	7,999	9,143	642
	Stage 3	-	-	-	-	-	-	-
Subtotal		12,792	4,151	3,649	502	7,999	9,143	642
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	32,189	26,329	19,956	6,373	2,845	12,233	3,015
Subtotal		32,189	26,329	19,956	6,373	2,845	12,233	3,015
Other items not covered under CBO circular BM 977 and related instructions*	Stage 1	530,572	-	296	(296)	530,572	530,276	-
	Stage 2	59,539	-	1,038	(1,038)	59,539	58,502	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		590,111	-	1,334	(1,334)	590,111	588,778	-
Total	Stage 1	2,272,954	25,345	6,255	19,089	2,247,609	2,266,699	-
	Stage 2	458,572	-	19,876	(19,876)	458,572	438,697	-
	Stage 3	56,940	33,410	25,415	7,995	19,636	31,525	3,894
	Total in RO	2,788,466	58,755	51,546	7,208	2,725,817	2,736,920	3,894
	Total in US\$ '000	7,242,770	152,609	133,886	18,722	7,080,045	7,108,884	10,115

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

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

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

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

Restructured loans

Asset classification as per CBO Norms	Asset classification 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	Reserve interest as per CBO norms
Classified as performing	Stage 1 Stage 2 Stage 3	44,203	1,893	1,851	42	42,310	42,352	-
Subtotal		44,203	1,893	1,851	42	42,310	42,352	-
Classified as non-performing	Stage 1 Stage 2 Stage 3	18,546	10,633	5,532	5,101	6,980	13,014	933
Sub total		18,546	10,633	5,532	5,101	6,980	13,014	933
Total	Stage 1 Stage 2 Stage 3	44,203 18,546	1,893 10,633	1,851 5,532	42 5,101	42,310 6,980	42,352 13,014	933 933
	Total in RO	62,749	12,526	7,383	5,143	49,290	55,366	933
	Total in US\$ '000	162,984	32,535	19,177	13,358	128,026	143,808	2,423

*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	7,552	7,552	-
Provisions required as per CBO norms/ held as per IFRS 9*	58,755	51,546	7,208
Gross NPL ratio (percentage)	2.59%	2.59%	-
Net NPL ratio (percentage)	0.89%	1.43%	-0.54%

*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
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

6. INVESTMENT SECURITIES

Audited 31-Dec-19 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Audited 31-Dec-19 RO '000
			Equity investments:			
1,221	1,036	1,997	Measured at FVTPL	769	399	470
12,826	12,817	12,049	Designated at FVOCI	4,639	4,934	4,938
14,047	13,853	14,046	Total Equity investments	5,408	5,333	5,408
			Debt investments:			
656,467	603,947	571,523	Designated at FVOCI	220,036	232,520	252,740
670,514	617,800	585,569	Total investment securities	225,444	237,853	258,148

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

Audited 31-Dec-19 RO '000	Unaudited 30-Jun-19 RO '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Audited 31-Dec-19 RO '000
			Equity investments:			
			A. Measured at FVTPL			
			Quoted investments - Oman			
135	93	392	Banking and investment sector	151	36	52
249	192	382	Service sector	147	74	96
73		78	Manufacturing sector	30	-	28
			Quoted investments - Foreign			
260	229	153	Manufacturing	59	88	100
208	223	138	Construction	53	86	80
-		312	Banking and investment sector	120		
296	299	542	Service sector	209	115	114
1,221	1,036	1,997	Total	769	399	470
			B. Designated at FVOCI			
			Quoted investments - Oman			
1,758	1,888	1,761	Manufacturing	678	727	677
2,436	2,473	2,787	Banking and investment sector	1,073	952	938
4,870	4,969	4,436	Service sector	1,708	1,913	1,875
			Quoted investments - Foreign			
574	875	434	Manufacturing	167	337	221
1,345	1,322	1,205	Banking and investment sector	464	509	518
1,504	951	1,226	Service sector	472	366	579
339	339	200	Construction	77	130	130
12,826	12,817	12,049	Total	4,639	4,934	4,938

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

6. INVESTMENT SECURITIES (continued)

Audited 31-Dec-19 RO '000	Unaudited 30-Jun-19 RO '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Audited 31-Dec-19 RO '000
			Debt investments:			
			A. Designated at FVOCI			
			Quoted investments - Oman			
354,600	334,779	368,197	Government development bonds	141,756	128,890	136,521
45,686	41,566	72,904	Government bonds	28,068	16,003	17,589
79,842	29,013	79,197	Government sukuks	30,491	11,170	30,739
22,166	19,655	31,403	Services	12,090	7,567	8,534
49	52		- Banking and investment	-	20	19
			Quoted investments - Foreign			
2,125	161,516	2,086	Government bonds	803	62,184	818
4,230	-		- Services	-	-	1,629
129,961	-		- US treasury bills	-	-	50,035
17,808	17,376	17,735	Banking and investment	6,828	6,690	6,856
656,467	603,957	571,522	Total	220,036	232,524	252,740
670,514	617,810	585,568	Total investments	225,444	237,857	258,148

7. CUSTOMERS' DEPOSITS

Customers' deposits can be analysed as follows:

Audited 31-Dec-19 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Audited 31-Dec-19 RO '000
			Conventional Banking			
2,604,927	2,419,114	2,401,332	Time deposits	924,513	931,359	1,002,897
974,681	1,050,327	927,021	Demand deposits	356,903	404,376	375,252
328,218	313,174	354,701	Savings deposits	136,560	120,572	126,364
3,907,826	3,782,615	3,683,054		1,417,976	1,456,307	1,504,513
			Islamic Banking			
281,036	189,826	279,564	Time deposits	107,632	73,083	108,199
108,395	87,613	96,834	Demand deposits	37,281	33,731	41,732
148,785	127,878	199,545	Savings deposits	76,825	49,233	57,282
538,216	405,317	575,943		221,738	156,047	207,213
4,446,042	4,187,932	4,258,997		1,639,714	1,612,354	1,711,726

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

1,598,719	1,174,139	1,569,001	0-6 Months	604,066	452,043	615,507
205,291	1,026,817	856,320	6-12 months	329,683	395,325	79,037
1,880,268	1,201,440	991,900	1-3 years	381,881	462,554	723,903
761,764	785,536	841,776	3 years and above	324,084	302,432	293,279
4,446,042	4,187,932	4,258,997		1,639,714	1,612,354	1,711,726

Interest rate bands of deposits is as follows:

634,777	598,792	960,491	0-2%	369,789	230,535	244,389
1,613,478	1,815,107	1,090,348	2-4%	419,784	698,816	621,189
2,197,787	1,774,033	2,208,158	4-6%	850,141	683,003	846,148
4,446,042	4,187,932	4,258,997		1,639,714	1,612,354	1,711,726

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

8. RELATED PARTY TRANSACTIONS

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

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

Audited 31-Dec-19 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Audited 31-Dec-19 RO '000
Directors and senior management						
2,338	2,382	2,532	Loans & advances and financing, net	975	917	900
2,029	1,810	1,727	Customers' deposits	665	697	781
-	21	-	- Prepaid expenses	-	8	-
Major shareholders and others						
-	-	-	- Loans & advances and financing, net	-	-	-
3,782	4,758	4,597	Due from banks	1,770	1,832	1,456
1,164	1,140	1,099	Investment securities	423	439	448
Other assets						
Fair value of forward foreign exchange						
130	138	810	contracts	312	53	50
13,465	81,709	11,236	Due to banks	4,326	31,458	5,184
88	14,896	361	Customers' deposits	139	5,735	34
Other liabilities						
4,569	3,826	9,564	Fair value of swaps	3,682	1,473	1,759
904	888	888	Contingent liabilities and commitments	342	342	348

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

Audited 31-Dec-19 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Audited 31-Dec-19 RO '000
Directors and senior management						
81	39	42	Interest and profit income	16	15	31
31	16	18	Interest and profit expense	7	6	12
421	-	-	- Board remuneration proposed	-	-	162
99	49	57	Board sitting fees	22	19	38
94	47	47	Shariah supervisory board expenses	18	18	36
83	62	-	- Other operating expenses	-	24	32
Major shareholders and others						
-	455	-	- Interest and profit income	-	175	-
2,677	1,571	106	Interest and profit expense	41	605	1,031
4,769	4,026	4,995	Loss on fair value of interest rate swaps	1,923	1,550	1,836
Gain on forward foreign exchange						
130	138	810	contracts	312	53	50
195	166	-	- Other operating expenses	-	64	75

The Bank has rented branch premises from a Director during the year 2019. Rent paid during the period ended 30 June 2019 was RO 0.024 million equivalent to US\$ 0.062 million and 31 December 2019: RO 0.032 million equivalent to US\$ 0.083 million

Compensation of the key management personnel for the six month period ended 30 June 2020 was RO 0.814 million equivalent to US\$ 2.114 million (30 June 2019: RO 0.661 million equivalent to US\$ 1.717 million).

9. SHARE CAPITAL

The authorised share capital of the Bank is 2,500,000,000 shares of 100 baizas each (30 June 2019 and 31 December 2019: 2,500,000,000 shares of 100 baizas each) out of which 1,649,657,466 shares (30 June 2019 and 31 December 2019: 1,571,102,349 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 30 June 2020 shareholding of AUB was 577,380,102 shares equivalent to 35% (30 June 2019 and 31 December 2019: 523,700,774 shares equivalent to 35%).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

10. INTEREST INCOME

Interest bearing assets earned interest at an overall annualised rate of 5.59% for six months period ended 30 June 2020 (30 June 2019 - 5.47%)

Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000
120,184	131,429	Loans and advances	50,600	46,271
11,213	12,322	Investments	4,744	4,317
834	446	Due from banks	172	321
132,231	144,197		55,516	50,909

11. INTEREST EXPENSE

The average annualised cost of funds for six months period ended 30 June 2020 is 3.48% (30 June 2019: 3.43%)

Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000
48,429	54,039	Time deposits	20,805	18,645
13,644	14,094	Demand and saving deposits	5,426	5,253
4,229	9,390	Borrowings	3,615	1,628
2,682	5,035	Inter-bank deposits	1,939	1,033
68,984	82,558		31,785	26,559

12. OTHER OPERATING INCOME

Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000
29	-	- Gain on sale of investments, net	-	11
3,119	4,603	Foreign exchange gain, net	1,772	1,201
675	675	Dividend income	260	260
(46)	(696)	Unrealized loss on revaluation of FVTPL investments	(268)	(18)
3,777	4,582		1,764	1,454

13. 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	30-Jun-20			30-Jun-19		
	Retail banking RO '000	Wholesale banking, treasury and investment banking RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury and investment banking RO '000	Total RO '000
Disaggregated income						
Service charges	330	195	525	240	232	472
Fees income	468	2,570	3,038	577	3,526	4,103
Commission income	11	704	715	12	805	817
Total fee and commission income	809	3,469	4,278	829	4,563	5,392
Fee expense	(269)	(2)	(271)	(117)	(8)	(125)
Fee and commission, net	540	3,467	4,007	712	4,555	5,267
	30-Jun-20			30-Jun-19		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Disaggregated income						
Service charges	857	507	1,364	624	602	1,226
Fees income	1,216	6,675	7,891	1,498	9,160	10,657
Commission	29	1,828	1,857	31	2,091	2,123
Total fee and commission income	2,102	9,010	11,112	2,153	11,853	14,006
Fee expense	(700)	(4)	(704)	(303)	(22)	(325)
Fee and commission, net	1,402	9,006	10,408	1,850	11,831	13,681

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

14. NET IMPAIRMENT ON FINANCIAL ASSETS

Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000
		Net Impairment charge		
5,897	22,554	Loans & advances and financing	8,683	2,270
10	21	Investment securities	8	4
-	5	Other assets	2	-
1,517	486	Loan commitments and financial guarantees	187	584
1,205	8	Loans & advances and financing written off	3	464
(545)	(816)	Recovery of loans written off earlier	(314)	(210)
8,084	22,258		8,569	3,112
(442)	(2,642)	Less: Interest reserved during the period	(1,017)	(170)
<u>7,642</u>	<u>19,616</u>		<u>7,552</u>	<u>2,942</u>

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

15.1 BASIC AND DILUTED EARNINGS PER SHARE

Unaudited 31-Dec-19 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Unaudited 31-Dec-19 RO '000
80,558	38,759	32,471	Profit for the period/year	12,501	14,922	31,015
			Weighted average number of outstanding shares during the period/year (in 000's)	1,649,657	1,649,657	1,571,102
			Earnings per share (cents /baizas)	8	9	20

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

Earnings per share for the six months period ended 30 June 2020 and comparative periods have been calculated using the weighted average shares outstanding for the current period. The weighted average shares outstanding includes 78,555,117 bonus shares issued for nil consideration.

15.2 NET ASSETS VALUE PER SHARE

Audited 31-Dec-19 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Unaudited 31-Dec-19 RO '000
688,818	652,408	657,458	Net assets	253,121	251,177	265,195
1,571,102	1,571,102	1,649,657	Issued and paid up shares (in'000)	1,649,657	1,571,102	1,571,102
44	42	40	Net assets value per share (cents/baizas)	153	160	169

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

16. SEGMENT INFORMATION

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. 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:

	30-Jun-20			30-Jun-19			31-Dec-19		
	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000
Net interest income	8,796	14,935	23,731	8,025	16,325	24,350	16,872	27,863	44,735
Net income from Islamic financing and investments	1,679	5,142	6,821	1,479	1,685	3,164	3,199	9,105	12,304
Net interest income and income from Islamic financing and investments	10,475	20,077	30,552	9,504	18,010	27,514	20,071	36,968	57,039
Other operating income	747	1,017	1,764	712	6,009	6,721	1,838	10,872	12,710
Net operating income	11,222	21,094	32,316	10,216	24,019	34,235	21,909	47,840	69,749
Net impairment on financial assets & write off	689	(8,241)	(7,552)	(1,111)	(2,295)	(3,406)	(2,204)	(3,667)	(5,871)
Operating expenses	(8,645)	(6,650)	(15,295)	(7,663)	(5,807)	(13,470)	(15,823)	(11,826)	(27,649)
Profit before taxation	3,266	6,203	9,469	1,442	15,917	17,359	3,882	32,347	36,229
Tax expense	(236)	(739)	(975)	(216)	(2,221)	(2,437)	(559)	(4,655)	(5,214)
Segment profit for the period/year	3,030	5,464	8,494	1,226	13,696	14,922	3,323	27,692	31,015
Segment assets	722,984	1,774,262	2,497,246	698,601	1,684,201	2,382,802	722,495	1,796,032	2,518,527
Segment liabilities	338,785	1,781,340	2,120,125	266,163	1,741,486	2,007,649	297,486	1,831,846	2,129,332
Net interest income	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
	22,847	38,792	61,639	20,844	42,403	63,247	43,823	72,371	116,194
	4,361	13,356	17,717	3,841	4,377	8,218	8,309	23,649	31,958
Net interest income and income from Islamic financing and investments	27,208	52,148	79,356	24,685	46,780	71,465	52,132	96,020	148,152
Other operating income	1,940	2,642	4,582	1,849	15,608	17,457	4,774	28,239	33,013
Net operating income	29,148	54,790	83,938	26,534	62,388	88,922	56,906	124,259	181,165
Net impairment on financial assets & write off	1,790	(21,405)	(19,615)	(2,886)	(5,961)	(8,847)	(5,725)	(9,524)	(15,249)
Operating expenses	(22,454)	(17,273)	(39,727)	(19,904)	(15,083)	(34,987)	(41,099)	(30,715)	(71,814)
Profit before taxation	8,484	16,112	24,596	3,744	41,344	45,088	10,082	84,020	94,102
Tax expense	(613)	(1,919)	(2,532)	(561)	(5,769)	(6,330)	(1,452)	(12,091)	(13,543)
Segment profit for the period/year	7,871	14,193	22,064	3,183	35,575	38,758	8,630	71,929	80,559
Segment assets	1,877,881	4,608,473	6,486,353	1,814,548	4,374,548	6,189,096	1,876,610	4,665,017	6,541,627
Segment liabilities	879,961	4,626,857	5,506,818	691,333	4,523,340	5,214,673	772,691	4,758,041	5,530,732

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities, other than those disclosed in the table below, 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:

	30-Jun-20			30-Jun-19			31-Dec-19		
	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	769	-	769	399	-	399	470	-	470
Investments at FVOCI	52,429	172,246	224,675	35,963	201,467	237,430	40,383	217,295	257,678
<i>Derivative financial instruments</i>	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	137	137
Forward foreign exchange contracts	2,111	-	2,111	656	-	656	844	-	844
	55,309	172,246	227,555	37,018	201,467	238,485	41,697	217,432	259,129
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	6,032	6,032	-	1,473	1,473	-	1,873	1,873
Forward foreign exchange contracts	37	-	37	94	-	94	122	-	122
	37	6,032	6,069	94	1,473	1,567	122	1,873	1,995
Financial assets:	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Investments at FVTPL	1,997	-	1,997	1,036	-	1,036	1,221	-	1,221
Investments at FVOCI	136,179	447,392	583,571	93,410	523,292	616,702	104,890	564,403	669,293
<i>Derivative financial instruments</i>	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	356	356
Forward foreign exchange contracts	5,483	-	5,483	1,704	-	1,704	2,192	-	2,192
	143,659	447,392	591,051	96,150	523,292	619,442	108,303	564,759	673,062
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	15,668	15,668	-	3,826	3,826	-	4,865	4,865
Forward foreign exchange contracts	96	-	96	244	-	244	317	-	317
	96	15,668	15,764	244	3,826	4,070	317	4,865	5,182

No financial instruments are carried at level 3 fair value as on 30 June 2020 (30 June 2019 and 31 December 2019: nil)

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

18. DERIVATIVES

Derivative product types

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

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

Derivatives held for hedging purposes

Fixed interest rates on principal amount of loans and investments are normally hedged using interest rate swaps whose repayments dates are the same as of hedge item. These contracts are designated as fair value hedges.

Derivatives held for risk management purposes

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

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

	Assets	Liabilities	Notional cash flows
At 30 June 2020	RO '000	RO '000	RO '000
Derivatives for hedging:			
Interest rate swaps	-	6,032	154,193
Derivatives:			
Forward purchase contracts	-	37	246,465
Forward sales contracts	2,111	-	244,391
Derivatives for hedging:	US\$ 000	US\$ 000	US\$ 000
Interest rate swaps	-	15,668	400,501
Derivatives:			
Forward purchase contracts	-	96	640,169
Forward sales contracts	5,483	-	634,782
At 30 June 2019	RO '000	RO '000	RO '000
Derivatives for hedging:			
Interest rate swaps	-	1,473	27,143
Derivatives:			
Forward purchase contracts	-	94	155,835
Forward sales contracts	656	-	155,273
Derivatives for hedging:	US\$ 000	US\$ 000	US\$ 000
Interest rate swaps	-	3,826	70,501
Derivatives:			
Forward purchase contracts	-	244	404,787
Forward sales contracts	1,704	-	403,306
At 31 December 2019	RO '000	RO '000	RO '000
Derivatives for hedging:			
Interest rate swaps	137	1,873	27,143
Derivatives:			
Forward purchase contracts	-	17	154,970
Forward sales contracts	668	-	155,621
Derivatives for hedging:	US\$ 000	US\$ 000	US\$ 000
Interest rate swaps	356	4,865	70,501
Derivatives:			
Forward purchase contracts	-	44	402,519
Forward sales contracts	1,735	-	404,210

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

19. CONTINGENT LIABILITIES AND COMMITMENTS

Audited 31-Dec-19 US\$ '000	Unaudited 30-Jun-19 US\$ '000	Unaudited 30-Jun-20 US\$ '000		Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Unaudited 31-Dec-19 RO '000
400,218	432,732	442,761	Financial guarantees	170,463	166,602	154,084
182,987	285,784	178,052	Letters of credit	68,550	110,027	70,450
168,618	109,808	132,842	Loan commitments	51,144	42,276	64,918
2,689	3,434	1,530	Capital commitments	589	1,322	1,035
754,512	831,758	755,185		290,746	320,227	290,487

20. ASSETS AND LIABILITIES MATURITY

As at 30 June 2020	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	565,822	393,532	435,685	1,102,207	2,497,246
Liabilities and equity	(533,727)	(683,087)	(630,125)	(650,307)	(2,497,246)
Net liquidity gap	32,095	(289,555)	(194,440)	451,900	-
Net liquidity gap in US \$ '000	83,364	(752,091)	(505,039)	1,173,766	-

As at 30 June 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	653,503	199,067	438,487	1,091,745	2,382,802
Liabilities and equity	(438,630)	(666,020)	(654,280)	(623,872)	(2,382,802)
Net liquidity gap	214,873	(466,953)	(215,793)	467,873	-
Net liquidity gap in US \$ '000	558,112	(1,212,865)	(560,501)	1,215,255	-

As at 31 December 2019	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	721,392	229,407	442,737	1,124,991	2,518,527
Liabilities and equity	(554,415)	(643,023)	(796,249)	(524,840)	(2,518,527)
Net liquidity gap	166,977	(413,616)	(353,512)	600,151	-
Net liquidity gap in US \$ '000	433,706	(1,074,326)	(918,214)	1,558,834	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

21. 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.

During the period, as part of the relief measures CBO has lowered the Capital Conversion Buffer (CCB) requirement by 50% from 2.5% to 1.25%. The minimum capital adequacy ratio requirement for the period is reduced to 12.25% including capital conservation buffer of 1.25% (31 December 2019 and 30 June 2019: 13.5% including capital conservation buffer of 2.5%).

In order to smoothen the higher volatility in ECL computation and its impact on regulatory capital of the banks amid covid-19 outbreak, CBO has issued a new requirement to apply a "prudential filter" approach on IFRS 9 expected credit loss (ECL) provisions on calculating the regulatory capital. Any increase in the Stage 2 provisioning compared to December 31, 2019 will be added back to regulatory capital while these provisions will be gradually phased-in during a five-year period ending 31 December 2024.

The following table sets out the capital adequacy position

	Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-19 RO '000	Audited 31-Dec-19 RO '000
Common Equity Tier 1 (CET1)	234,416	231,400	233,821
Additional Tier 1	124,000	124,000	124,000
Tier 1	358,416	355,400	357,821
Tier 2	20,517	20,261	19,813
Total regulatory capital	378,933	375,661	377,634
Risk weighted assets			
Credit risk	2,144,718	1,931,352	2,056,800
Market risk	86,468	68,894	68,763
Operational risk	117,449	107,150	107,150
Total risk weighted assets	2,348,635	2,107,396	2,232,713
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	9.98%	10.98%	10.47%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.26%	16.86%	16.03%
Tier II capital expressed as a percentage of total risk-weighted assets	0.88%	0.96%	0.89%
Total regulatory capital expressed as a percentage of total risk-weighted assets	16.13%	17.83%	16.91%
Total regulatory capital expressed as a percentage of total risk-weighted assets without prudential filters	16.02%	-	-
	US\$ '000	US\$ '000	US\$ '000
Common Equity Tier 1 (CET1)	608,872	601,039	607,327
Additional Tier 1	322,078	322,078	322,078
Tier 1	930,950	923,117	929,405
Tier 2	53,291	52,626	51,462
Total regulatory capital	984,241	975,743	980,867
Risk weighted assets			
Credit risk	5,570,696	5,016,499	5,342,338
Market risk	224,592	178,946	178,605
Operational risk	305,062	278,311	278,312
Total risk weighted assets	6,100,350	5,473,756	5,799,255
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	9.98%	10.98%	10.47%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.26%	16.86%	16.03%
Tier II capital expressed as a percentage of total risk-weighted assets	0.88%	0.96%	0.89%
Total regulatory capital expressed as a percentage of total risk-weighted assets	16.13%	17.83%	16.91%
Total regulatory capital expressed as a percentage of total risk-weighted assets without prudential filters	16.02%	-	-

22. 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.