



AHLI BANK SAOG

**Interim condensed financial statements
30 September 2019**

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CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board of Directors I am glad to present the unaudited interim condensed financial statements of ahlibank for the nine month period ended 30 September 2019. This is based on the unaudited interim condensed financial statements reviewed by external auditors of the Bank.

On the occasion of upcoming celebrations of the 49th National Day, the Board of Directors, Executive Management team and staff of ahlibank join the nation in conveying deep gratitude and best wishes to His Majesty Sultan Qaboos Bin Said, whose leadership has led Oman to great levels of prosperity and development.

Financial Performance

	30-Sep-19	30-Sep-18	Growth %
	RO Million		
Total assets	2,517.7	2,251.7	11.8%
Loans & advances and financing, net	2,060.9	1,870.9	10.2%
Customers' deposits	1,622.8	1,567.2	3.5%
Equity	383.1	303.5	26.2%
Operating income	51.63	45.49	13.5%
Operating expenses	20.31	17.38	16.8%
Profit for the period	22.79	21.66	5.2%

Building on a strong foundation of 11 successful years in Oman, ahlibank continues to exhibit sustainable growth across key financial indicators. The Bank's total assets recorded 11.8% growth to RO 2,517.7 million and customer deposits increased by 3.5% to reach RO 1,622.8 million compared to September 2018. Total equity increased to RO 383.1 million compared to RO 303.5 million in September 2018. Total loans, advances and financing grew by 10.2% reaching RO 2,060.9 million. The bank maintained the Capital Adequacy Ratio of 17.0%, well above the regulatory requirements, and continues on prudent growth strategy focusing on high quality assets and well managed liquidity.

Sustaining growth momentum, the Bank's net profit increased by 5.2% to RO 22.79 million compared to RO 21.66 million in September 2018. Total operating income increased by 13.5% to RO 51.63 million compared to RO 45.49 million in September 2018. While the bank's operating expenses increased to RO 20.31 million compared to RO 17.38 million in September 2018, the cost to income ratio remained at 39.3%, the best amongst the peers.

Achievements

Extending its footprint across key locations in the Sultanate, the Bank opened a state-of-the-art branch in Al Koudh. With the aim to offer customised services to all customers, the new branch features dedicated sections for SMEs, Premium Banking and a first of its kind digital banking hub. To further enhance customer convenience, additional three branches were added this year.

Reiterating commitment to secure banking experience while enhancing customer convenience through innovative digital touchpoints, the Bank launched its contactless debit and credit cards. Designed for everyday use, the card provides a tap and go facility for low value point of sale transactions, blending very well with market demands and our customers' evolving lifestyles.

Recognition

The Bank's steady growth and proactive customer-oriented initiatives continued to receive prestigious recognitions. The Bank was named among winners of the OER Top 20 Award presented by Oman Economic Review to recognise good financial management, agility and robustness in delivering on customer expectations. For the second consecutive year, the Bank also won the Best Performing Company Award by Alam al-Iktisaad Wal A'mal (AIWA) in the Large Cap Category, solidifying its position as the fastest growing bank in Oman.

Corporate Social Responsibility

Reflecting the ethos of responsible banking, ahlibank attaches strategic importance to Corporate Social Responsibility (CSR) initiatives that complement the Omani government efforts for socio-economic development across local communities.

Highlighting the importance of mental health and wellbeing, especially for Oman's youth, the Bank took part in the 'Not Alone Young Minds' Forum in association with Whispers of Serenity, a leading mental health and counselling organisation in Oman. The forum served as a gathering for young minds to be motivated and passionate about their life, while promoting awareness and positivity as a means towards better contributions to their own and Oman's overall development.

Looking Ahead

Going forward, the Bank remains committed to its prudent growth strategy to maintain a winning streak of excellence and maximise value for all stakeholders. We will continue expanding the branch network of ahlibank and ahli Islamic across Oman while keeping pace with changing market demands to tailor innovative customer-centric services. To cater for the fast-growing Islamic banking customer base, we are also launching a savings prize scheme for ahli Islamic.

Acknowledgements

On behalf of the Board of Directors, I would like to convey our deepest thanks to His Majesty Sultan Qaboos bin Said for his visionary leadership, and to His Majesty's government for their continuous efforts in bringing the vision to reality.

I would also like to express sincere appreciation to all regulatory authorities for their continued guidance and support, and for providing a healthy environment towards a robust banking sector in Oman.

Finally, I would like to convey our acknowledgment and appreciation to the Bank's Executive Management team and employees for their loyalty and dedication to the overall achievements of the Bank, and to our clients for their loyalty and trust.

Hamdan Ali Nasser Al Hinai

Chairman

Dated: 20 October 2019

AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

Audited 31-Dec-18 US\$ '000	Unaudited 30-Sep-18 US\$ '000	Unaudited 30-Sep-19 US\$ '000		Note	Unaudited 30-Sep-19 RO '000	Unaudited 30-Sep-18 RO '000	Audited 31-Dec-18 RO '000
ASSETS							
			Cash and balances with Central Bank of Oman		60,581	66,553	153,406
398,457	172,865	157,353	Due from banks		36,462	12,992	24,027
62,408	33,745	94,706	Loans & advances and Financing, net	5	2,060,878	1,870,881	1,870,677
4,858,901	4,859,431	5,352,928	Investment securities	6	313,079	271,093	214,049
555,971	704,138	813,192	Property and equipment		20,305	16,935	17,490
45,429	43,987	52,740	Other assets		26,400	13,268	10,741
27,899	34,462	68,571					
5,949,065	5,848,628	6,539,490	TOTAL ASSETS		2,517,705	2,251,722	2,290,390
LIABILITIES							
			Due to banks		314,716	258,718	146,777
381,239	671,995	817,444	Customers' deposits	7	1,622,830	1,567,154	1,661,645
4,315,961	4,070,530	4,215,143	Borrowed funds		100,100	51,975	51,975
135,000	135,000	260,000	Deferred tax liability		105	135	251
652	351	273	Other liabilities		76,885	45,212	45,762
118,863	117,433	199,697	Subordinated liabilities		20,000	25,000	25,000
64,935	64,935	51,948					
5,016,650	5,060,244	5,544,505	TOTAL LIABILITIES		2,134,636	1,948,194	1,931,410
EQUITY							
			Share capital	9	157,110	149,629	149,629
388,647	388,647	408,078	Legal reserve		28,530	25,651	28,530
74,104	66,626	74,104	Subordinated debt reserve		16,718	18,440	18,600
48,312	47,896	43,423	Fair value reserve		(6,797)	(3,080)	(6,885)
(17,883)	(8,000)	(17,655)	Special reserve		1,901	1,785	1,927
5,005	4,636	4,938	Impairment reserve		8,876	6,738	7,710
20,026	17,501	23,055	Retained earnings		52,731	54,365	55,469
144,074	141,208	136,964					
			TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		259,069	253,528	254,980
662,285	658,514	672,907	Tier 1 Perpetual subordinated bonds		124,000	50,000	104,000
270,130	129,870	322,078					
932,415	788,384	994,985	TOTAL EQUITY		383,069	303,528	358,980
			TOTAL LIABILITIES AND EQUITY		2,517,705	2,251,722	2,290,390
5,949,065	5,848,628	6,539,490					
			Net assets value per share (US cents / baizas)	14.2	165	169	170
44	44	43					
			Contingent liabilities and commitments	18	297,388	297,880	313,223
813,566	773,715	772,436					

The interim condensed financial statements were approved by the Board of Directors on 20 October 2019 and signed on their behalf by:

Hamdan Ali Nasser Al Hinai
Chairman

Said Abdullah Al Hatmi
Chief Executive Officer

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

AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

Note	Nine month period ended		Three month period ended			Three month period ended		Nine month period ended	
	Unaudited 30-Sep-18	Unaudited 30-Sep-19	Unaudited 30-Sep-18	Unaudited 30-Sep-19		Unaudited 30-Sep-18	Unaudited 30-Sep-18	Unaudited 30-Sep-19	Unaudited 30-Sep-18
	US\$ '000	US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000	RO '000
	174,795	202,473	62,034	70,242	10	27,043	23,883	77,952	67,296
	(88,140)	(106,392)	(32,803)	(37,408)	11	(14,402)	(12,629)	(40,961)	(33,934)
	86,655	96,081	29,231	32,834		12,641	11,254	36,991	33,362
	31,273	36,522	10,914	12,823		4,937	4,202	14,061	12,040
	(17,945)	(23,649)	(5,969)	(8,169)		(3,145)	(2,298)	(9,105)	(6,909)
	13,328	12,873	4,945	4,654		1,792	1,904	4,956	5,131
	99,983	108,954	34,176	37,488		14,433	13,158	41,947	38,493
	18,164	25,140	5,982	7,683	12	2,958	2,303	9,679	6,993
	118,147	134,094	40,158	45,171		17,391	15,461	51,626	45,486
	(7,368)	(12,091)	(2,369)	(3,244)	13	(1,249)	(912)	(4,655)	(2,837)
	110,779	122,003	37,789	41,927		16,142	14,549	46,971	42,649
	(28,675)	(32,512)	(9,408)	(10,800)		(4,158)	(3,622)	(12,517)	(11,040)
	(2,681)	(4,125)	(912)	(1,384)		(533)	(351)	(1,588)	(1,032)
	(13,790)	(16,109)	(4,688)	(5,574)		(2,146)	(1,805)	(6,202)	(5,309)
	(45,146)	(52,746)	(15,008)	(17,758)		(6,837)	(5,778)	(20,307)	(17,381)
	65,633	69,257	22,781	24,169		9,305	8,771	26,664	25,268
	(9,384)	(10,065)	(3,423)	(3,735)		(1,438)	(1,318)	(3,875)	(3,613)
	56,249	59,192	19,358	20,434		7,867	7,453	22,789	21,655
	(1,787)	(1,358)	(532)	135		52	(205)	(523)	(688)
	-	166	-	8		3	-	64	-
	-	(904)	-	(904)		(348)	-	(348)	-
	(1,932)	2,491	2,447	922		355	942	959	(744)
	(3,719)	395	1,915	161		62	737	152	(1,432)
	52,530	59,587	21,273	20,595		7,929	8,190	22,941	20,223
	4	4	1	1	14.1	5	5	15	18

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

AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

	Share capital	Legal reserve	Subordinated debt reserve	Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Total	Tier 1 Perpetual subordinated bond	Total equity
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1 January 2019	149,629	28,530	18,600	(6,885)	1,927	7,710	55,469	254,980	104,000	358,980
Profit for the period	-	-	-	-	-	-	22,789	22,789	-	22,789
Other comprehensive income, net of tax	-	-	-	152	-	-	-	152	-	152
Total comprehensive income	-	-	-	152	-	-	22,789	22,941	-	22,941
Transfer to subordinated debt reserve	-	-	3,118	-	-	-	(3,118)	-	-	-
Transfer from subordinated debt reserve	-	-	(5,000)	-	-	-	5,000	-	-	-
Transfer from special reserve	-	-	-	-	(26)	-	26	-	-	-
Transfer to impairment reserve	-	-	-	-	-	1,166	(1,166)	-	-	-
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	(3,889)	(3,889)	-	(3,889)
Gain on sale of equity investments at FVOCI	-	-	-	(64)	-	-	64	-	-	-
Proceeds from Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	-	20,000	20,000
Transactions with owners recognised directly in equity										
Issue of bonus shares	7,481	-	-	-	-	-	(7,481)	-	-	-
Cash dividends paid	-	-	-	-	-	-	(14,963)	(14,963)	-	(14,963)
Balance at 30 September 2019 RO (unaudited)	157,110	28,530	16,718	(6,797)	1,901	8,876	52,731	259,069	124,000	383,069
Balance at 30 September 2019 (US\$ '000) (unaudited)	408,078	74,104	43,423	(17,655)	4,938	23,055	136,964	672,907	322,078	994,985

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Share capital	Legal reserve	General loan loss reserve	Subordinated debt reserve	Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Total	Tier 1 Perpetual subordinated bond	Total equity
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
<i>Balance at 1 January 2018</i>	142,504	25,651	6,543	13,600	(122)	228	-	66,423	254,827	50,000	304,827
<i>Changes on initial application of IFRS 9</i>	-	-	(6,543)	-	(1,526)	-	1,082	1,526	(5,461)	-	(5,461)
<i>Restated balance at 1 January 2018</i>	142,504	25,651	-	13,600	(1,648)	228	1,082	67,949	249,366	50,000	299,366
Profit for the period	-	-	-	-	-	-	-	21,655	21,655	-	21,655
Other comprehensive expense, net of tax	-	-	-	-	(1,432)	-	-	-	(1,432)	-	(1,432)
<i>Total comprehensive income</i>	-	-	-	-	(1,432)	-	-	21,655	20,223	-	20,223
Transfer to subordinated debt reserve	-	-	-	4,840	-	-	-	(4,840)	-	-	-
Transfer to special reserve	-	-	-	-	-	1,557	-	(1,557)	-	-	-
Transfer to impairment reserve	-	-	-	-	-	-	5,620	(5,620)	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	-	-	-	-	19	19	-	19
Technical write off of loans and advances	-	-	-	-	-	-	36	3	39	-	39
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	(1,869)	(1,869)	-	(1,869)
<i>Transactions with owners recognised directly in equity</i>											
Issue of bonus shares	7,125	-	-	-	-	-	-	(7,125)	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	(14,250)	(14,250)	-	(14,250)
<i>Balance at 30 September 2018 RO (unaudited)</i>	149,629	25,651	-	18,440	(3,080)	1,785	6,738	54,365	253,528	50,000	303,528
<i>Balance at 30 September 2018 (US\$ '000) (unaudited)</i>	388,647	66,626	-	47,896	(8,000)	4,636	17,501	141,208	658,514	129,870	788,384
<i>Balance at 1 October 2018</i>	149,629	25,651	-	18,440	(3,080)	1,785	6,738	54,365	253,528	50,000	303,528
Profit for the period	-	-	-	-	-	-	-	7,131	7,131	-	7,131
Other comprehensive expense, net of tax	-	-	-	-	(3,805)	-	-	-	(3,805)	-	(3,805)
<i>Total comprehensive income</i>	-	-	-	-	(3,805)	-	-	7,131	3,326	-	3,326
Transfer to legal reserve	-	2,879	-	-	-	-	-	(2,879)	-	-	-
Transfer to subordinated debt reserve	-	-	-	160	-	-	-	(160)	-	-	-
Transfer to impairment reserve	-	-	-	-	-	-	972	(972)	-	-	-
Transfer to special reserve	-	-	-	-	-	142	-	(142)	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	-	-	-	-	7	7	-	7
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	(1,881)	-	-	-
Proceeds from Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	-	-	54,000	54,000
<i>Balance at 31 December 2018 RO</i>	149,629	28,530	-	18,600	(6,885)	1,927	7,710	55,469	254,980	104,000	358,980
<i>Balance at 31 December 2018 (US\$ '000)</i>	388,647	74,104	-	48,312	(17,883)	5,005	20,026	144,074	662,285	270,130	932,415

Appropriation to legal reserve is made on an annual basis.

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

AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

Unaudited 30-Sep-18 US\$ '000	Unaudited 30-Sep-19 US\$ '000		Unaudited 30-Sep-19 RO '000	Unaudited 30-Sep-18 RO '000
CASH FLOWS FROM OPERATING ACTIVITIES				
65,633	69,257	Profit before taxation	26,664	25,268
2,681	4,125	Adjustments for:		
7,368	12,091	Depreciation	1,588	1,032
182	203	Net impairment on financial assets and write off	4,655	2,837
319	-	End of service benefits provision	78	70
(52)	-	Unrealised loss on investments securities	-	123
		Gain on sale of investment securities	-	(20)
76,131	85,676	Operating profit before working capital changes	32,985	29,310
161,527	121,000	Increase in due to banks	46,585	62,188
(635,535)	(506,119)	Increase in loans & advances and financing	(194,856)	(244,681)
348,094	190	Net movement in FVTPL investment securities	73	134,016
-	(40,673)	(Increase)/ decrease in other assets	(15,659)	215
302,086	(100,818)	(Decrease)/ increase in customers' deposits	(38,815)	116,303
10,693	79,377	Increase in other liabilities	30,561	3,903
262,996	(361,367)	Cash (used in)/generated from operations	(139,126)	101,254
(325)	(78)	End of service benefits paid	(30)	(125)
(12,218)	(9,109)	Tax paid	(3,507)	(4,704)
250,453	(370,554)	Net cash (used in)/generated from operating activities	(142,663)	96,425
CASH FLOWS FROM INVESTING ACTIVITIES				
(349,704)	(48,423)	Increase in investment, net (excluding FVTPL investment)	(18,643)	(134,636)
(3,283)	(11,436)	Purchase of property and equipment	(4,403)	(1,264)
(352,987)	(59,859)	Net cash used in investing activities	(23,046)	(135,900)
CASH FLOWS FROM FINANCING ACTIVITIES				
(37,013)	(38,865)	Dividends paid	(14,963)	(14,250)
35,000	225,000	Proceeds from borrowed funds	86,625	13,475
(50,000)	(100,000)	Repayments of borrowed funds	(38,500)	(19,250)
-	51,948	Issue of Tier 1 perpetual subordinated bond	20,000	-
(4,855)	(10,101)	Interest paid on Tier 1 perpetual subordinated bond	(3,889)	(1,869)
-	(12,987)	Repayment of subordinated debt	(5,000)	-
(56,868)	114,995	Net cash generated from/(used in) financing activities	44,273	(21,894)
(159,402)	(315,418)	Net change in cash and cash equivalents	(121,436)	(61,369)
217,681	352,382	Cash and cash equivalents at 1 January	135,667	83,807
58,279	36,964	Cash and cash equivalents at 30 September	14,231	22,438
Cash and Cash equivalent comprises of the following:				
171,501	155,990	Cash and current balances with Central Bank of Oman	60,056	66,028
33,745	94,706	Due from banks	36,462	12,992
263,501	332,094	Treasury bills with three months maturity	127,856	101,448
(410,468)	(545,826)	Due to banks	(210,143)	(158,030)
58,279	36,964		14,231	22,438

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019****1. LEGAL STATUS AND PRINCIPAL ACTIVITIES**

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

The Bank employed 623 employees as at 30 September 2019 compared to 589 as at 30 September 2018 and 598 as at 31 December 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed financial statements for the nine month period ended 30 September 2019 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the disclosure requirements set out in the Rules and Disclosure and Proformas issued by the Capital Market Authority (CMA).

The unaudited interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the nine month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year 2019.

The accounting policies applied in these interim condensed financial statements are the same as those applied in the annual audited financial statements for the year ended 31 December 2018 except for changes resulting from adoption of IFRS 16- Leases.

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

The functional 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

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

A. Definition of lease

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

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

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

B. As a lessee

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

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**
3. CHANGES IN ACCOUNTING POLICIES (continued)
B. As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate of 4.50% as the discount rate for measurement of lease liability.

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

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

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

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

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

Short term leases and leases of low value assets

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

C. Transition

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

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

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

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

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

Impact on financial statements

As at 31 December 2018, the total operating commitments as disclosed in financial statements was RO 0.648 million (equivalent US\$ 1.683 million). At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Bank's incremental borrowing rate as at 1 January 2019. ROU assets are measured at an amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments using the modified retrospective approach. Accordingly on transition to IFRS 16, the bank recognised RO 1.689 million of ROU assets (equivalent US\$ 4.387 million) and RO 1.253 million of lease liabilities (equivalent US\$ 3.255 million) as at 1 January 2019 and no adjustment was carried out in the opening retained earnings on that date. During the period, an amount of RO 0.484 million (equivalent to US\$ 1.258 million) was recognised in statement of comprehensive income as depreciation and RO 0.045 million (equivalent to US\$ 0.1167 million) as interest expense. As at 30 September 2019, the carrying value of ROU assets and lease liabilities are RO 1.695 million (equivalent US\$ 4.402 million) and RO 1.254 million (equivalent US\$ 3.257 million) respectively.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**
4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

In preparing these interim condensed financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the year ended 31 December 2018.

5. LOANS & ADVANCES AND FINANCING, NET

Audited 31-Dec-18 US\$ '000	Unaudited 30-Sep-18 US\$ '000	Unaudited 30-Sep-19 US\$ '000		Unaudited 30-Sep-19 RO '000	Unaudited 30-Sep-18 RO '000	Audited 31-Dec-18 RO '000
			Conventional Banking			
2,748,059	2,802,200	3,050,296	Corporate lending	1,174,364	1,078,847	1,058,003
1,417,161	1,379,358	1,519,903	Retail lending	585,163	531,053	545,607
4,165,220	4,181,558	4,570,199	Loans & advances, gross	1,759,527	1,609,900	1,603,610
			Islamic Banking			
457,135	439,161	534,797	Corporate financing	205,897	169,077	175,997
325,943	321,499	350,706	Retail financing	135,022	123,777	125,488
783,078	760,660	885,503	Financing, gross	340,919	292,854	301,485
			Loans & advances and financing, gross	2,100,446	1,902,754	1,905,095
			Loans and financing impairment (including reserve interest and profit)	(39,568)	(31,873)	(34,418)
4,948,298	4,942,218	5,455,702		2,060,878	1,870,881	1,870,677

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

1,441,018	1,609,068	1,023,481	0-5%	394,040	619,491	554,792
3,207,574	3,013,514	4,112,691	5-7%	1,583,386	1,160,203	1,234,916
289,756	299,870	291,673	7-10%	112,294	115,450	111,556
9,950	19,766	27,857	More than 10%	10,726	7,610	3,831
4,948,298	4,942,218	5,455,702		2,100,446	1,902,754	1,905,095

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

1,487,678	1,565,405	1,656,374	0-1 year	637,704	602,681	572,756
525,029	553,049	618,314	1-3 years	238,051	212,924	202,136
397,229	380,070	487,494	3-5 years	187,685	146,327	152,933
2,538,362	2,443,694	2,693,520	More than 5 years	1,037,006	940,822	977,270
4,948,298	4,942,218	5,455,702		2,100,446	1,902,754	1,905,095

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**
5. LOANS & ADVANCES AND FINANCING, NET (continued)
5.1 ECL Exposure/Impairment allowance of financial assets and off balance sheet

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

a) Exposure subject to ECL

	30-Sep-19					30-Sep-18					31-Dec-18				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Due from banks (including balances with CBO)	86,507	-	-	86,507	224,694	71,253	-	-	71,253	185,073	168,648	-	-	168,648	438,047
Loans & advances and financing	1,573,626	490,776	36,044	2,100,446	5,455,702	1,731,143	147,209	24,402	1,902,754	4,942,218	1,706,131	166,149	32,815	1,905,095	4,948,298
Investment securities (excluding equity investments)	307,676	-	-	307,676	799,158	264,602	-	-	264,602	687,278	207,851	-	-	207,851	539,873
Other assets	5,151	15,166	-	20,317	52,771	6,565	315	-	6,880	17,870	5,004	471	-	5,475	14,221
Loan commitments and financial guarantees	247,714	48,355	32	296,101	769,093	232,125	64,731	32	296,888	771,138	299,940	10,265	971	311,176	808,250

b) Movement in impairment allowance and provision

	30-Sep-19					30-Sep-18					31-Dec-18				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Opening balance															
Due from banks (including balances with CBO)	1	-	-	1	3	2	-	-	2	5	2	-	-	2	5
Loans & advances and financing	6,706	10,097	17,615	34,418	89,397	6,162	11,895	9,663	27,720	72,000	6,162	11,895	9,663	27,720	72,000
Investment securities (excluding equity investments)	24	-	-	24	62	19	-	-	19	49	19	-	-	19	49
Other assets	7	4	-	11	29	25	129	-	154	400	25	129	-	154	400
Loan commitments and financial guarantees	833	142	205	1,180	3,065	414	1,251	-	1,665	4,325	414	1,251	-	1,665	4,325
Net transfer between stages															
Loans & advances and financing	2,138	(2,138)	-	-	-	5,802	(5,516)	(286)	-	-	8,149	(6,604)	(1,545)	-	-
Other assets	(7)	7	-	-	-	102	(102)	-	-	-	110	(110)	-	-	-
Loan commitments and financial guarantees	(257)	257	-	-	-	770	(770)	-	-	-	828	(828)	-	-	-

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**
5. LOANS & ADVANCES AND FINANCING, NET (continued)
5.1 ECL Exposure/Impairment allowance of financial assets and off balance sheet (Continued)
b) Movement in impairment allowance and provision (continued)

	30-Sep-19					30-Sep-18					31-Dec-18				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Charge for the period (net)	(1,266)	5,217													
Due from banks (including balances with CBO)	-	-	-	-	-	64	-	-	64	166	(1)	-	-	(1)	(3)
Loans & advances and financing*	(3,404)	7,355	1,199	5,150	13,377	(4,976)	4,977	4,152	4,153	10,787	(7,605)	4,806	9,497	6,698	17,397
Investment securities (excluding equity investments)	6	-	-	6	16	(2)	-	-	(2)	(5)	5	-	-	5	13
Other assets	-	-	-	-	-	(118)	(24)	-	(142)	(369)	(128)	(15)	-	(143)	(371)
Loan commitments and financial guarantees	(210)	586	(195)	181	470	(434)	(88)	-	(522)	(1,356)	(409)	(281)	205	(485)	(1,260)
Closing balance															
Due from banks (including balances with CBO)	1	-	-	1	3	66	-	-	66	171	1	-	-	1	3
Loans & advances and financing	5,440	15,314	18,814	39,568	102,774	6,988	11,356	13,529	31,873	82,787	6,706	10,097	17,615	34,418	89,397
Investment securities (excluding equity investments)	30	-	-	30	78	17	-	-	17	44	24	-	-	24	62
Other assets	-	11	-	11	29	9	3	-	12	31	7	4	-	11	29
Loan commitments and financial guarantees	366	985	10	1,361	3,535	750	393	-	1,143	2,969	833	142	205	1,180	3,065

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**
5. LOANS & ADVANCES AND FINANCING, NET (continued)
5.2 Comparison of provision held as per IFRS 9 and required as per CBO norms

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per 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	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
					RO '000				
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	1,573,626	23,733	5,440	18,293	1,549,893	1,568,186	-	-
	Stage 2	354,188	-	5,969	(5,969)	354,188	348,219	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		1,927,814	23,733	11,409	12,324	1,904,081	1,916,405	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	136,588	-	9,345	(9,345)	136,588	127,243	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		136,588	-	9,345	(9,345)	136,588	127,243	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,428	596	1,126	(530)	1,786	1,302	-	46
Subtotal		2,428	596	1,126	(530)	1,786	1,302	-	46
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,067	4,435	4,358	77	5,289	5,709	-	343
Subtotal		10,067	4,435	4,358	77	5,289	5,709	-	343
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	23,549	18,388	13,330	5,058	2,855	10,219	-	2,306
Subtotal		23,549	18,388	13,330	5,058	2,855	10,219	-	2,306
Other items not covered under CBO circular BM 977 and related instructions*	Stage 1	647,048	-	397	(397)	647,048	646,651	-	-
	Stage 2	63,521	-	996	(996)	63,521	62,525	-	-
	Stage 3	32	-	10	(10)	32	22	-	-
Subtotal		710,601	-	1,403	(1,403)	710,601	709,198	-	-
Total	Stage 1	2,220,674	23,733	5,837	17,896	2,196,941	2,214,837	-	-
	Stage 2	554,297	-	16,310	(16,310)	554,297	537,987	-	-
	Stage 3	36,076	23,419	18,824	4,595	9,962	17,252	-	2,695
	Total in RO	2,811,047	47,152	40,971	6,181	2,761,200	2,770,076	-	2,695
	Total in US\$ '000	7,301,421	122,473	106,418	16,055	7,171,948	7,195,003	-	7,000

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

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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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 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)	RO '000 (3)	RO '000 (4)	RO '000 (5)	RO '000 (6) = (4)-(5)	RO '000 (7)=(3)-(4)-(10)	RO '000 (8) = (3)-(5)	RO '000 (9)	RO '000 (10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	51,208	1,900	3,716	(1,816)	49,308	47,492	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		51,208	1,900	3,716	(1,816)	49,308	47,492	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	9,814	7,557	4,157	3,400	1,766	5,657	-	491
Sub total		9,814	7,557	4,157	3,400	1,766	5,657	-	491
Total	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	51,208	1,900	3,716	(1,816)	49,308	47,492	-	-
	Stage 3	9,814	7,557	4,157	3,400	1,766	5,657	-	491
	Total in RO	61,022	9,457	7,873	1,584	51,074	53,149	-	491
	Total in US\$ '000	158,499	24,564	20,449	4,114	132,660	138,049	-	1,275

*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	4,655	4,655	-
Provisions required as per CBO norms/ held as per IFRS 9*	47,152	40,971	6,181
Gross NPL ratio (percentage)	1.72%	1.72%	-
Net NPL ratio (percentage)	0.47%	0.82%	-0.35%

*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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

6. INVESTMENT SECURITIES

Audited 31-Dec-18 US\$ '000	Unaudited 30-Sep-18 US\$ '000	Unaudited 30-Sep-19 US\$ '000		Unaudited 30-Sep-19 RO '000	Unaudited 30-Sep-18 RO '000	Audited 31-Dec-18 RO '000
			Equity investments:			
1,226	1,281	1,156	Designated at FVTPL	445	493	472
14,935	15,621	12,956	Designated at FVOCI	4,988	6,014	5,750
16,161	16,902	14,112	Total Equity investments	5,433	6,507	6,222
			Debt investments:			
539,872	687,278	799,158	Designated at FVOCI	307,676	264,602	207,851
539,872	687,278	799,158	Gross debt investments	307,676	264,602	207,851
(62)	(42)	(78)	Less: Impairment allowance	(30)	(16)	(24)
539,810	687,236	799,080	Net debt investments	307,646	264,586	207,827
			Total investment securities	313,079	271,093	214,049
555,971	704,138	813,192				

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

Audited 31-Dec-18 US\$ '000	Unaudited 30-Sep-18 US\$ '000	Unaudited 30-Sep-19 US\$ '000		Unaudited 30-Sep-19 RO '000	Unaudited 30-Sep-18 RO '000	Audited 31-Dec-18 RO '000
			Equity investments:			
			A. Designated at FVTPL			
			Quoted investments - Oman			
81	104	119	Banking and investment sector	46	40	31
195	208	213	Service sector	82	80	75
		-	-			
			- Quoted investments - Foreign			
283	278	262	Manufacturing	101	107	109
203	244	234	Construction	90	94	78
464	447	327	Service sector	126	172	179
1,226	1,281	1,155	Total	445	493	472
			B. Designated at FVOCI			
			Quoted investments - Oman			
1,969	2,239	1,901	Manufacturing	732	862	758
2,795	3,190	2,460	Banking and investment sector	947	1,228	1,076
6,169	6,166	5,042	Service sector	1,941	2,374	2,375
		-	-			
			- Quoted investments - Foreign			
1,291	1,034	857	Manufacturing	330	398	497
1,410	1,423	1,348	Banking and investment sector	519	548	543
909	1,216	1,016	Service sector	391	468	350
392	353	332	Construction	128	136	151
14,935	15,621	12,956	Total	4,988	6,014	5,750

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

6. INVESTMENT SECURITIES (continued)

Audited 31-Dec-18 RO '000	Unaudited 30-Sep-18 RO '000	Unaudited 30-Sep-19 US\$ '000		Unaudited 30-Sep-19 RO '000	Unaudited 30-Sep-18 RO '000	Audited 31-Dec-18 RO '000
			Debt investments:			
			A. Designated at FVOCI			
			Quoted investments - Oman			
317,846	319,821	357,156	Government development bonds	137,505	123,131	122,371
33,361	36,655	43,527	Government bonds	16,758	14,112	12,844
28,886	29,021	29,016	Government sukuks	11,171	11,173	11,121
18,247	20,353	20,665	Services	7,956	7,836	7,025
49	55	49	Banking and investment	19	21	19
			- Quoted investments - Foreign			
1,982	1,958	2,086	Government bonds	803	754	763
123,501	263,501	332,094	US treasury bills	127,856	101,448	47,548
16,000	15,914	17,896	Banking and investment	6,890	6,127	6,160
539,872	687,278	802,489	Total	308,958	264,602	207,851
(62)	(42)	(78)	Less: Impairment allowance	(30)	(16)	(24)
539,810	687,236	802,411	Total debt investments	308,928	264,586	207,827
555,971	704,138	816,522	Total investments	314,361	271,093	214,049

7. CUSTOMERS' DEPOSITS

Audited 31-Dec-18 US\$ '000	Unaudited 30-Sep-18 US\$ '000	Unaudited 30-Sep-19 US\$ '000		Unaudited 30-Sep-19 RO '000	Unaudited 30-Sep-18 RO '000	Audited 31-Dec-18 RO '000
			Conventional Banking			
2,329,143	2,196,992	2,721,065	Time deposits	1,047,610	845,842	896,720
1,196,647	1,036,888	724,447	Demand deposits	278,912	399,202	460,709
278,706	277,356	313,969	Savings deposits	120,878	106,782	107,302
3,804,496	3,511,236	3,759,481	Total	1,447,400	1,351,826	1,464,731
			Islamic Banking			
226,099	246,397	176,855	Time deposits	68,089	94,863	87,048
153,717	172,218	146,784	Demand deposits	56,512	66,304	59,181
131,649	140,679	132,023	Savings deposits	50,829	54,161	50,685
511,465	559,294	455,662	Total	175,430	215,328	196,914
4,315,961	4,070,530	4,215,143	Total	1,622,830	1,567,154	1,661,645

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

1,540,719	1,212,166	1,451,896	0-6 Months	558,980	466,684	593,177
802,997	768,327	735,270	6-12 months	283,079	295,806	309,154
1,147,751	1,376,317	1,287,579	1-3 years	495,718	529,882	441,884
824,494	713,720	740,398	3 years and above	285,053	274,782	317,430
4,315,961	4,070,530	4,215,143	Total	1,622,830	1,567,154	1,661,645

Interest rate bands of deposits is as follows:

599,966	617,091	631,481	0-2%	243,120	237,580	230,987
2,445,052	2,559,813	1,637,187	2-4%	630,317	985,528	941,345
1,270,943	893,626	1,946,475	4-6%	749,393	344,046	489,313
4,315,961	4,070,530	4,215,143	Total	1,622,830	1,567,154	1,661,645

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**
8. RELATED PARTY TRANSACTIONS

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

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

Audited 31-Dec-18 US\$ '000	Unaudited 30-Sep-18 US\$ '000	Unaudited 30-Sep-19 US\$ '000		Unaudited 30-Sep-19 RO '000	Unaudited 30-Sep-18 RO '000	Audited 31-Dec-18 RO '000
Directors and senior management						
1,587	1,408	2,351	Loans & advances and financing, net	905	542	611
1,494	1,055	1,553	Customers' deposits	598	406	575
42	73	-	- Prepaid expenses	-	28	16
- Major shareholders and others						
3,182	2,364	4,278	Due from banks	1,647	910	1,225
1,099	1,164	1,156	Investment securities	445	448	423
-	47	-	- Prepaid Insurance	-	18	-
-	-	-	- Other assets	-	-	-
379	475	187	Fair value of forward exchange contracts	72	183	146
200	2,242	-	- Fair value of swaps	-	863	77
100,719	122,384	76,706	Due to banks	29,532	47,118	38,777
8	62	65	Customers' deposits	25	24	3
-	-	-	- Other liabilities	-	-	-
16	301	39	Accrued expenses	15	116	6
-	16	-	- Other payables	-	6	-
-	-	6,429	Fair value of swaps	2,475	-	-
28,982	28,281	23,917	Contingent liabilities and commitments	9,208	10,888	11,158

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

Audited 31-Dec-18 US\$ '000	Unaudited 30-Sep-18 US\$ '000	Unaudited 30-Sep-19 US\$ '000		Unaudited 30-Sep-19 RO '000	Unaudited 30-Sep-18 RO '000	Audited 31-Dec-18 RO '000
Directors and senior management						
52	39	60	Interest and profit income	23	15	20
34	29	21	Interest and profit expense	8	11	13
416	-	-	- Board remuneration proposed	-	-	160
104	70	73	Board sitting fees	28	27	40
94	70	70	Shariah supervisory board expenses	27	27	36
122	94	83	Other operating expenses	32	36	47
Major shareholders and others						
826	3	-	- Interest and profit income	-	1	318
4,622	3,442	2,427	Interest and profit expense	934	1,325	1,779
379	475	187	Gain on forward foreign exchange contracts	72	183	146
(727)	-	904	Loss / (Gain) on fair value of interest rate swaps	348	-	(280)
977	603	166	Other operating expenses	64	232	376

The Bank has rented a branch premises from a Director. In accordance with the agreement, an amount of RO 0.032 million equivalent to US\$ 0.083 million was included in the other operating expenses (30 September 2018: RO 0.036 million equivalent to US\$ 0.094 million and 31 December 2018: RO 0.047 million equivalent to US\$ 0.123 million).

Compensation of the key management personnel for the nine month period ended 30 September 2019 was RO 0.805 million equivalent to US\$ 2.091 million (30 September 2018: RO 0.760 million equivalent to US\$ 1.973 million).

9. SHARE CAPITAL

The authorised share capital of the Bank is 2,500,000,000 shares of 100 baizas each (30 September 2018 and 31 December 2018: 2,500,000,000 shares of 100 baizas each) out of which 1,571,102,349 (30 September 2018 and 31 December 2018: 1,496,287,951 shares) are issued and fully paid up.

Ahli United Bank BSC (AUB) is the only shareholder owning 10% or more of the Bank's shares. On 30 September 2019 shareholding of AUB was 549,885,812 shares equivalent to 35% (30 September and 31 December 2018: 523,700,774 shares equivalent to 35%).

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10. INTEREST INCOME

Interest bearing assets earned interest at an overall annualised rate of 5.38% for nine months period ended 30 September 2019 (30 September 2018 - 5.22%)

Nine month period ended			Nine month period ended	
Unaudited 30-Sep-18	Unaudited 30-Sep-19		Unaudited 30-Sep-18	Unaudited 30-Sep-19
US\$ '000	US\$ '000		RO '000	RO '000
158,449	184,166	Loans and advances	70,904	61,003
15,042	17,218	Investments	6,629	5,791
1,304	1,089	Due from banks	419	502
<u>174,795</u>	<u>202,473</u>		<u>77,952</u>	<u>67,296</u>

11. INTEREST EXPENSE

The average annualised cost of funds for nine months period ended 30 September 2019 is 3.41% (30 September 2018 - 3.07%)

53,831	74,951	Time deposits	28,856	20,725
21,288	19,948	Demand and saving deposits	7,680	8,196
5,553	7,709	Borrowings	2,968	2,138
7,468	3,784	Inter-bank deposits	1,457	2,875
<u>88,140</u>	<u>106,392</u>		<u>40,961</u>	<u>33,934</u>

12. OTHER OPERATING INCOME

14,106	19,784	Fees and commission, net (refer note 12.1)	7,617	5,431
52	29	Gain on sale of investments, net	11	20
3,595	4,519	Foreign exchange gain, net	1,740	1,384
727	727	Dividend income	280	280
(317)	81	Others	31	(122)
<u>18,163</u>	<u>25,140</u>		<u>9,679</u>	<u>6,993</u>

12.1. DISAGGREGATION OF FEE AND COMMISSION INCOME

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

Particulars	Nine month period ended 30-Sep-19			Nine month period ended 30-Sep-18		
	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	409	379	788	366	344	710
Fees income	873	5,020	5,893	756	3,258	4,014
Commission income	15	1,128	1,143	15	1,013	1,028
Total fee and commission	1,297	6,527	7,824	1,137	4,615	5,752
Fee expense	(196)	(11)	(207)	(307)	(14)	(321)
Fee and commission, net	1,101	6,516	7,617	829	4,602	5,431
Disaggregated income	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Service charges	1,063	984	2,047	950	894	1,844
Fees income	2,268	13,038	15,306	1,964	8,462	10,426
Commission	38	2,931	2,969	38	2,632	2,670
Total fee and commission	3,369	16,953	20,322	2,952	11,988	14,940
Fee expense	(509)	(29)	(538)	(798)	(35)	(833)
Fee and commission, net	2,860	16,924	19,784	2,154	11,953	14,107

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13. NET IMPAIRMENT ON FINANCIAL ASSETS

Nine month period ended			Nine month period ended	
Unaudited 30-Sep-18	Unaudited 30-Sep-19		Unaudited 30-Sep-19	Unaudited 30-Sep-18
US\$ '000	US\$ '000		RO '000	RO '000
		Net Impairment charge		
166	-	Due from banks	-	64
10,787	13,377	Loans & advances and financing	5,150	4,153
(5)	16	Investment securities	6	(2)
(369)	-	Other assets	-	(142)
(1,356)	470	Loan commitments and financial guarantees	181	(522)
10	1,177	Loans & advances and financing written off	453	4
(901)	(1,483)	Recovery of loans written off earlier	(571)	(347)
8,332	13,556		5,219	3,208
(964)	(1,465)	Less: Interest reserved during the period	(564)	(371)
7,368	12,091		4,655	2,837

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

Audited 31-Dec-18	Unaudited 30-Sep-18	Unaudited 30-Sep-19		Unaudited 30-Sep-19	Unaudited 30-Sep-18	Audited 31-Dec-18
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
74,770	56,249	59,192	Profit for the period / year	22,789	21,655	28,786
1,571,102	1,571,102	1,571,102	Weighted average number of outstanding shares during the period/year (in 000's)	1,571,102	1,571,102	1,571,102
5	4	4	Earnings per share (cents/baizas)	15	14	18

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

Earnings per share for the nine months period ended 30 September 2019 and comparative periods have been calculated using the weighted average shares outstanding for the current period. The weighted average shares outstanding includes 146,066,205 bonus shares issued for nil consideration.

14.2 NET ASSETS VALUE PER SHARE

Audited 31-Dec-18	Unaudited 30-Sep-18	Unaudited 30-Sep-19		Unaudited 30-Sep-19	Unaudited 30-Sep-18	Audited 31-Dec-18
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
662,285	658,514	672,907	Net assets	259,069	253,528	254,980
1,496,288	1,496,288	1,571,102	Issued and paid up shares (in'000)	1,571,102	1,496,288	1,496,288
44	44	43	Net assets value per share (cents/baizas)	165	169	170

15. SEGMENT REPORTING

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

1. Retail banking includes customers' deposits, unrestricted investments accounts, consumer loans, overdrafts, credit card, Islamic financing and fund transfer facilities.
2. Wholesale banking, treasury and investments include deposits including current accounts, term deposits, loans & advances and Islamic financing etc. for corporate and institutional customers, treasury, trade finance and investment banking services.

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

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15. SEGMENT INFORMATION (continued)

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

Segment information is as follows:

	30-Sep-19			30-Sep-18			31-Dec-18		
	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000
Net interest income	12,504	24,487	36,991	9,916	23,446	33,362	13,066	31,684	44,750
Net income from islamic financing and investments	2,287	2,669	4,956	1,725	3,406	5,131	2,446	4,858	7,304
Net interest income and income from islamic financing and investments	14,791	27,156	41,947	11,641	26,852	38,493	15,512	36,542	52,054
Other operating income	1,206	8,473	9,679	477	5,948	6,425	1,114	8,985	10,099
Net operating income	15,997	35,629	51,626	12,118	32,800	44,918	16,626	45,527	62,153
Net impairment on financial assets	(445)	(4,210)	(4,655)	(393)	(2,444)	(2,837)	(179)	(4,929)	(5,108)
Operating expenses	(11,519)	(8,788)	(20,307)	(9,592)	(7,221)	(16,813)	(12,981)	(10,271)	(23,252)
Profit before taxation	4,033	22,631	26,664	2,133	23,135	25,268	3,466	30,327	33,793
Tax expense	(586)	(3,289)	(3,875)	(320)	(3,293)	(3,613)	(520)	(4,487)	(5,007)
Segment profit for the period/year	3,447	19,342	22,789	1,813	19,842	21,655	2,946	25,840	28,786
Segment assets	712,960	1,804,745	2,517,705	646,952	1,604,770	2,251,722	660,409	1,629,981	2,290,390
Segment liabilities	290,839	1,843,797	2,134,636	265,364	1,682,830	1,948,194	257,785	1,673,625	1,931,410
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net interest income	32,479	63,603	96,082	25,756	60,899	86,655	33,938	82,296	116,234
Net income from islamic financing and investments	5,941	6,932	12,873	4,481	8,847	13,328	6,353	12,619	18,972
Net interest income and income from islamic financing and investments	38,420	70,535	108,955	30,237	69,746	99,983	40,291	94,915	135,206
Other operating income	3,132	22,008	25,140	1,239	15,449	16,688	2,894	23,337	26,231
Net operating income	41,552	92,543	134,095	31,476	85,195	116,671	43,185	118,252	161,437
Net impairment on financial assets	(1,156)	(10,935)	(12,091)	(1,020)	(6,348)	(7,368)	(465)	(12,802)	(13,267)
Operating expenses	(29,919)	(22,827)	(52,746)	(24,914)	(18,756)	(43,670)	(33,717)	(26,678)	(60,395)
Profit before taxation	10,476	58,781	69,257	5,542	60,091	65,633	9,003	78,772	87,775
Tax expense	(1,522)	(8,543)	(10,065)	(831)	(8,553)	(9,384)	(1,351)	(11,654)	(13,005)
Segment profit for the period/year	8,954	50,238	59,192	4,711	51,538	56,249	7,652	67,118	74,770
Segment assets	1,851,841	4,687,649	6,539,490	1,680,394	4,168,234	5,848,628	1,715,348	4,233,717	5,949,065
Segment liabilities	755,422	4,789,083	5,544,505	689,257	4,370,987	5,060,244	669,571	4,347,079	5,016,650

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16. 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-Sep-19			30-Sep-18			31-Dec-18		
	Level 1 RO '000	Level 2 RO '000	Total RO '000	Level 1 RO '000	Level 2 RO '000	Total RO '000	Level 1 RO '000	Level 2 RO '000	Total RO '000
Financial assets:									
Investments at FVTPL	445	-	445	493	-	493	472	-	472
Investments at FVOCI	37,384	275,250	312,634	34,849	235,751	270,600	32,537	181,040	213,577
<i>Derivative financial instruments</i>									
Interest rate swaps	-	-	-	-	823	823	-	77	77
Forward foreign exchange contracts	704	-	704	587	-	587	668	-	668
	38,533	275,250	313,783	35,929	236,574	272,503	33,677	181,117	214,794
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	2,475	2,475	-	-	-	-	-	-
Forward foreign exchange contracts	16	-	16	144	-	144	17	-	17
	16	2,475	2,491	144	-	144	17	-	17
Financial assets:	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Investments at FVTPL	1,156	-	1,156	1,281	-	1,281	1,226	-	1,226
Investments at FVOCI	97,101	714,935	812,036	90,517	612,340	702,857	84,511	470,234	554,745
<i>Derivative financial instruments</i>									
Interest rate swaps	-	-	-	-	2,242	2,242	-	200	200
Forward foreign exchange contracts	1,829	-	1,829	1,525	-	1,525	1,735	-	1,735
	100,086	714,935	815,021	93,323	614,582	707,905	87,472	470,434	557,906
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	6,429	6,429	-	-	-	-	-	-
Forward foreign exchange contracts	42	-	42	374	-	374	44	-	44
	42	6,429	6,471	374	-	374	44	-	44

No financial instruments are carried at level 3 fair value as on 30 September 2019 (30 September 2018 and 31 December 2018: nil)

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

17. DERIVATIVES
Derivative product types

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

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

Derivatives held for hedging purposes

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

Derivatives held for risk management purposes

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

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

	Assets	Liabilities	Notional
	RO '000	RO '000	cash flows
At 30 September 2019			RO '000
Derivatives for hedging:			
Interest rate swaps	-	2,475	84,893
Derivatives:			
Forward purchase contracts	-	16	112,603
Forward sales contracts	704	-	111,915
	US\$ 000	US\$ 000	US\$ 000
Derivatives for hedging:			
Interest rate swaps	-	6,429	220,501
Derivatives:			
Forward purchase contracts	-	42	292,475
Forward sales contracts	1,829	-	290,688
At 30 September 2018	RO '000	RO '000	RO '000
Derivatives for hedging:			
Interest rate swaps	823	-	27,143
Derivatives:			
Forward purchase contracts	-	144	210,428
Forward sales contracts	587	-	210,870
	US\$ 000	US\$ 000	US\$ 000
Derivatives for hedging:			
Interest rate swaps	2,138	-	70,501
Derivatives:			
Forward purchase contracts	-	374	546,566
Forward sales contracts	1,525	-	547,714
At 31 December 2018	RO '000	RO '000	RO '000
Derivatives for hedging:			
Interest rate swaps	77	-	27,143
Derivatives:			
Forward purchase contracts	-	17	154,970
Forward sales contracts	668	-	155,621
	US\$ 000	US\$ 000	US\$ 000
Derivatives for hedging:			
Interest rate swaps	200	-	70,501
Derivatives:			
Forward purchase contracts	-	44	402,520
Forward sales contracts	1,735	-	404,210

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

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18. CONTINGENT LIABILITIES AND COMMITMENTS

Audited 31-Dec-18 US\$ '000	Unaudited 30-Sep-18 US\$ '000	Unaudited 30-Sep-19 US\$ '000		Unaudited 30-Sep-19 RO '000	Unaudited 30-Sep-18 RO '000	Audited 31-Dec-18 RO '000
411,894	338,847	426,623	Financial guarantees	164,250	130,456	158,579
275,608	312,421	193,875	Letters of credit	74,642	120,282	106,109
120,748	119,870	148,595	Loan commitments	57,209	46,150	46,488
3,634	896	3,343	Capital commitments	1,287	345	1,399
1,682	1,681	-	Lease commitments	-	647	648
813,566	773,715	772,436		297,388	297,880	313,223

19. ASSETS AND LIABILITIES MATURITY

As at 30 September 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	791,143	210,564	428,199	1,087,799	2,517,705
Liabilities and equity	(616,237)	(590,038)	(697,037)	(614,393)	(2,517,705)
Net liquidity gap	174,906	(379,474)	(268,838)	473,406	-
Net liquidity gap in US \$ '000	454,301	(985,647)	(698,281)	1,229,626	-

As at 30 September 2018	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	724,742	180,597	360,021	986,362	2,251,722
Liabilities and equity	(505,464)	(541,668)	(684,678)	(519,912)	(2,251,722)
Net liquidity gap	219,278	(361,071)	(324,657)	466,450	-
Net liquidity gap in US \$ '000	569,553	(937,847)	(843,265)	1,211,558	-

As at 31 December 2018	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	728,896	184,334	355,846	1,021,314	2,290,390
Liabilities and equity	(523,053)	(584,871)	(662,866)	(519,600)	(2,290,390)
Net liquidity gap	205,843	(400,537)	(307,020)	501,714	-
Net liquidity gap in US \$ '000	534,658	(1,040,355)	(797,456)	1,303,153	-

20. CAPITAL MANAGEMENT

The risk asset ratio is calculated in accordance with the capital adequacy guidelines of the Basel Committee on Banking Supervision and CBO Circulars BM 1009 'Guidelines on Basel II' and BM 1114 'Regulatory Capital and Composition of Capital Disclosure requirements under Basel III' effective from 31 December 2014. The minimum capital adequacy ratio requirement for the year is 13.50% including capital conservation buffer of 2.50% (31 December 2018: 12.875% including capital conservation buffer of 1.875%). The capital adequacy ratio working is as follows:

The following table sets out the capital adequacy position

	Unaudited 30-Sep-19	Unaudited 30-Sep-18	Audited 31-Dec-18
	RO '000	RO '000	RO '000
Common Equity Tier 1 (CET1)	226,073	243,265	225,730
Additional Tier 1	124,000	50,000	104,000
Tier 1	350,073	293,265	329,730
Tier 2	19,763	14,528	23,191
Total regulatory capital	369,836	307,793	352,921
Risk weighted assets			
Credit risk	1,998,139	1,890,959	1,850,818
Market risk	70,495	67,987	63,812
Operational risk	107,150	102,196	102,196
Total risk weighted assets	2,175,784	2,061,142	2,016,826
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	10.39%	11.80%	11.19%
Total tier I capital expressed as a percentage of total risk-weighted assets	16.09%	14.23%	16.35%
Tier II capital expressed as a percentage of total risk-weighted assets	0.91%	0.70%	1.15%
Total regulatory capital expressed as a percentage of total risk-weighted assets	17.00%	14.93%	17.50%
	Unaudited 30-Sep-19	Unaudited 30-Sep-18	Audited 31-Dec-18
	US\$ '000	US\$ '000	US\$ '000
Common Equity Tier 1 (CET1)	587,203	631,857	586,312
Additional Tier 1	322,078	129,870	270,130
Tier 1	909,281	761,727	856,442
Tier 2	51,332	37,735	60,236
Total regulatory capital	960,613	799,462	916,678
Risk weighted assets			
Credit risk	5,189,971	4,911,582	4,807,319
Market risk	183,104	176,590	165,745
Operational risk	278,312	265,444	265,444
Total risk weighted assets	5,651,387	5,353,616	5,238,508
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	10.39%	11.80%	11.19%
Total tier I capital expressed as a percentage of total risk-weighted assets	16.09%	14.23%	16.35%
Tier II capital expressed as a percentage of total risk-weighted assets	0.91%	0.70%	1.15%
Total regulatory capital expressed as a percentage of total risk-weighted assets	17.00%	14.93%	17.50%

21. COMPARATIVE FIGURES

Corresponding figures have been rearranged and reclassified in order to conform with the presentation for the current period for the purpose of comparison and for better presentation. Such reclassifications are not considered material and do not affect previously reported net income or shareholder's equity.