



AHLI BANK SAOG

**Interim condensed financial statements
30-Jun-21**

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Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the unaudited interim financial statements of Ahli Bank for the six-month period ending 30 June 2021.

The emergence of COVID-19 variants is exacerbating the impact of the pandemic on the global economic outlook and overall financial conditions. As a result, the Sultanate's economic recovery was as well subdued, impacted by fresh restrictions following the increased number of COVID-19 cases during the current period. Several key indicators; however, give us confidence and a more positive outlook over the medium-term. The steadfast implementation of the governments' Medium-Term Fiscal Plan (MTFP) will ensure that fiscal vulnerabilities are reduced and that the Sultanate's debt are going on a firm downward path.

As an important financial institution that plays a significant role in the economy's development and progress, Ahli Bank remains fully supportive of the initiatives of the Oman government and the Central Bank of Oman in their goals to achieve and fulfill its Oman Vision 2040. This is reflected in a number of targeted initiatives adopted by the Bank over the past period, with the aim of consolidating its position in the market as well as maximizing value for its stakeholders, consequently driving market growth.

Financial Performance

Ahli Bank continues to grow steadily in terms of its asset portfolio, customer deposits and most of its key financial indicators:

	30-June-21	30-June-20	Growth %
	RO Million		
Net Loans, Advances and Financing	2,286.8	2,148.1	6.5%
Total Assets	2,848.3	2,497.2	14.1%
Customer Deposits	1,968.1	1,639.7	20.0%
Equity	415.8	377.1	10.3%
Operating Income	39.47	36.32	8.7%
Operating Expenses	16.47	15.30	7.6%
Profit for the Period	13.31	12.50	6.5%

The Bank recorded 14.1% growth in total assets amounting to RO 2,848.3 million as of the end of June 2021. Customer deposits increased by 20.0%, reaching RO 1,968.1 million compared with the same period in 2020. Net loans, advances and financing grew by 6.5%, reaching RO 2,286.8 million. Operating income increased by 8.7% to RO 39.47 million as of the end of June 2021. The

Bank's operating expenses also increased by 7.6%, and profit recorded during the period increased by 6.5%.

Highlights

During the first half of 2021, the Bank raised a share capital of RO 30 million through a rights issue, strengthening the Tier I capital of the Bank and meeting the Bank's capital requirement to support business growth. We are pleased to share that despite a challenging local and global economic environment, there has been an overwhelming response from shareholders. The issuance reaffirms the Bank's positive market position and strong investor confidence.

Ahli Bank continues to develop and strengthen its digital and traditional banking products and services, and has taken a proactive step in adopting VAT-compliant solutions to ensure operational efficiency.

Stemming from its commitment to offer customers with diverse and customized product choices, Ahli Bank celebrated the launch of Al Nukhba to its premium banking customers, which provides a range of financial and non-financial concessions that fulfill the banking needs of the wealth management segment and enhance their access to in-value investment solutions.

As part of our digital transformation vision, providing a convenient and secure banking experience for our customers is paramount. Ahli Islamic recently launched its new mobile and internet application to ensure that customers are able to easily access their bank accounts anytime, anywhere and do all their transactions swiftly and with ease.

Corporate Social Responsibility (CSR)

Ahli Bank is committed to corporate social responsibility and continues to strengthen and deepen its support of various social, educational, cultural, health and sports activities in Oman. Alongside this is its commitment towards ensuring the health and safety of individuals and the society as a whole. Ahli Bank complemented the efforts of the esteemed Ministry of Health, and launched a full-fledged vaccination drive for its employees and their families, securing their health and enabling a safe work environment.

Looking Ahead

Ahli Bank seeks to achieve greater sustainable value in the country with the combined participation of individuals, institutions and society. The Bank continues its efforts to provide dedicated, highly efficient and effective banking solutions to its individual, corporate and SME clients. It also looks to fully leverage its digital potential to enhance customer experience, increase operational efficiency, and ensure stakeholders' safety under these circumstances.

The Bank also continues to attach great importance to providing jobs for the Omani youth and is committed to contributing to Oman's vision to develop their skills and enhance their talent and

capabilities. Our comprehensive learning, training and development programs enable us to do so, benefitting students who aspire to join the banking workforce in the country.

Acknowledgments

On behalf of the Board of Directors, I would like to thank our stakeholders for their continued faith in our vision and initiatives. Their support has been instrumental in helping us protect the interests of our customers and retain the confidence of our employees.

The Bank remains true to its pledge to support His Majesty Sultan Haitham bin Tarik in continuing the Sultanate's renaissance journey and contributing towards the fulfillment of its economic development agenda.

I would also like to thank the Bank's Executive Management team and the employees for their commitment, dedication and contribution to the overall success of the Bank especially during these challenging times. Lastly, I would like to thank our clients and customers for their continued loyalty and trust in our services.

Hamdan Ali Nasser Al Hinai
Chairman

AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Note	Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
ASSETS							
205,247	154,434	171,018	Cash and balances with Central Bank of Oman		65,842	59,457	79,020
119,932	53,951	130,148	Due from banks		50,107	20,771	46,174
5,763,369	5,579,592	5,939,730	Loans & advances and financing, net	5	2,286,796	2,148,143	2,218,897
795,761	585,569	1,004,564	Investment securities	6	386,757	225,444	306,368
75,724	56,003	89,091	Other assets		34,300	21,561	29,154
59,387	56,805	63,745	Property and equipment		24,542	21,870	22,864
7,019,420	6,486,354	7,398,296	TOTAL ASSETS		2,848,344	2,497,246	2,702,477
LIABILITIES							
351,283	515,852	607,971	Due to banks		234,069	198,603	135,244
4,999,101	4,258,997	5,111,917	Customers' deposits	7	1,968,088	1,639,714	1,924,654
415,000	490,000	340,000	Borrowed funds		130,900	188,650	159,775
743	600	797	Deferred tax liability		307	231	286
213,423	197,213	234,322	Other liabilities		90,214	75,927	82,168
31,169	44,156	23,377	Subordinated liabilities		9,000	17,000	12,000
6,010,719	5,506,818	6,318,384	TOTAL LIABILITIES		2,432,578	2,120,125	2,314,127
EQUITY							
428,482	428,483	506,405	Share capital	9	194,966	164,966	164,966
88,385	82,161	88,683	Legal reserve		34,143	31,632	34,028
29,611	39,961	22,597	Subordinated debt reserve		8,700	15,385	11,400
(10,561)	(21,919)	(12,067)	Fair value reserve		(4,646)	(8,439)	(4,066)
2,592	4,917	2,592	Special reserve		998	1,893	998
26,303	24,504	26,303	Impairment reserve		10,127	9,434	10,127
121,811	99,351	123,321	Retained earnings		47,478	38,250	46,897
686,623	657,458	757,834	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK		291,766	253,121	264,350
322,078	322,078	322,078	Tier 1 Perpetual subordinated bonds		124,000	124,000	124,000
1,008,701	979,536	1,079,912	TOTAL EQUITY		415,766	377,121	388,350
7,019,420	6,486,354	7,398,296	TOTAL LIABILITIES AND EQUITY		2,848,344	2,497,246	2,702,477
42	40	39	Net assets value per share (US cents / baizas)	15.2	150	153	160
622,696	755,185	602,755	Contingent liabilities and commitments	19	232,061	290,746	239,738

The interim condensed financial statements were approved by the Board of Directors on 28 July 2021 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 2021**

Six month period ended		Three month period ended			Three month period ended		Six month period ended		
Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Note	Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000
144,197 (82,558)	152,086 (86,618)	71,979 (40,917)	77,268 (43,714)	Interest income	10	29,748	27,712	58,553	55,516
				Interest expense	11	(16,830)	(15,753)	(33,348)	(31,785)
61,639	65,468	31,062	33,554	NET INTEREST INCOME		12,918	11,959	25,205	23,731
25,860 (8,143)	26,987 (13,003)	12,774 (4,132)	14,197 (6,712)	Income from Islamic financing and investments Unrestricted investment account holders' share of profit and profit expense		5,466 (2,584)	4,918 (1,591)	10,390 (5,006)	9,956 (3,135)
17,717	13,984	8,642	7,485	NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		2,882	3,327	5,384	6,821
79,356	79,452	39,704	41,039	NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		15,800	15,286	30,589	30,552
11,112 (704)	13,397 (1,177)	4,252 (434)	9,330 (717)	Fees and commission income		3,592	1,637	5,158	4,278
10,408	12,220	3,818	8,613	Fees and commission expense		(276)	(167)	(453)	(271)
4,582	10,847	1,829	1,901	Net fees and commission income	13	3,316	1,470	4,705	4,007
94,346 (19,616)	102,519 (19,937)	45,351 (13,403)	51,553 (9,547)	Other operating income	12	732	704	4,176	1,764
74,730	82,582	31,948	42,006	OPERATING INCOME		19,848	17,460	39,470	36,323
(23,169) (3,166) (13,392)	(27,682) (3,603) (11,485)	(11,595) (1,582) (5,099)	(14,093) (1,824) (5,750)	Net impairment on financial assets	14	(3,675)	(5,160)	(7,676)	(7,552)
(39,727)	(42,770)	(18,276)	(21,667)	NET OPERATING INCOME		16,173	12,300	31,794	28,771
35,003	39,812	13,672	20,339	Staff expenses		(5,426)	(4,464)	(10,658)	(8,920)
(2,532)	(5,246)	582	(2,272)	Depreciation		(702)	(609)	(1,387)	(1,219)
32,471	34,566	14,254	18,067	Other operating expenses		(2,214)	(1,963)	(4,422)	(5,156)
				OPERATING EXPENSES		(8,342)	(7,036)	(16,467)	(15,295)
				PROFIT BEFORE TAXATION		7,831	5,264	15,327	13,476
				Tax expense		(875)	224	(2,020)	(975)
				PROFIT FOR THE PERIOD		6,956	5,488	13,307	12,501
				OTHER COMPREHENSIVE INCOME / EXPENSE - NET OF TAX					
				<i>Items that will not be reclassified to profit or loss</i>					
(489)	(232)	652	834	- Equity investments at FVOCI - net changes in fair value		321	251	(89)	(188)
(5,631)	1,575	(790)	711	<i>Items that may be reclassified to profit or loss</i>		274	(304)	607	(2,168)
(4,795)	1,447	34,525	5,507	Changes in fair value of cash flow hedge - net Changes in fair value of FVOCI debt investments - net		2,120	13,292	557	(1,846)
(10,915)	2,790	34,387	7,052	OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		2,715	13,239	1,075	(4,202)
21,556	37,356	48,641	25,119	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9,671	18,727	14,382	8,299
2	2	1	1	Basic and diluted earnings per share (US cents / baizas)	15.1	4	3	7	8

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

AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

	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 2021	164,966	34,028	11,400	(4,066)	998	10,127	46,897	264,350	124,000	388,350
Profit for the period	-	-	-	-	-	-	13,307	13,307	-	13,307
Other comprehensive income, net of tax	-	-	-	1,075	-	-	-	1,075	-	1,075
Total comprehensive income	-	-	-	1,075	-	-	13,307	14,382	-	14,382
Transfer to subordinated debt reserve	-	-	300	-	-	-	(300)	-	-	-
Transfer from subordinated debt reserve	-	-	(3,000)	-	-	-	3,000	-	-	-
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	(4,637)	(4,637)	-	(4,637)
Net amount reclassified to the income statement on sale of debt instruments at FVOCI	-	-	-	(2,695)	-	-	-	(2,695)	-	(2,695)
Loss on sale of equity investments at FVOCI	-	-	-	1,040	-	-	(1,040)	-	-	-
Transactions with owners recognised directly in equity	30,000	-	-	-	-	-	-	30,000	-	30,000
Rights issue of shares	30,000	-	-	-	-	-	-	30,000	-	30,000
Excess of receipts over rights issue expenses	-	115	-	-	-	-	-	115	-	115
Cash dividends paid	-	-	-	-	-	-	(9,749)	(9,749)	-	(9,749)
Balance at 30 June 2021 RO (unaudited)	194,966	34,143	8,700	(4,646)	998	10,127	47,478	291,766	124,000	415,766
Balance at 30 June 2021 (US\$ '000) (unaudited)	506,405	88,683	22,597	(12,067)	2,592	26,303	123,321	757,834	322,078	1,079,912

	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
<i>Balance at 1 January 2020</i>	<i>157,110</i>	<i>31,632</i>	<i>14,000</i>	<i>(4,233)</i>	<i>1,893</i>	<i>9,334</i>	<i>55,459</i>	<i>265,195</i>	<i>124,000</i>	<i>389,195</i>
Profit for the period	-	-	-	-	-	-	12,501	12,501	-	12,501
Other comprehensive expense, net of tax	-	-	-	(4,202)	-	-	-	(4,202)	-	(4,202)
<i>Total comprehensive income</i>	-	-	-	<i>(4,202)</i>	-	-	<i>12,501</i>	<i>8,299</i>	-	<i>8,299</i>
Transfer to subordinated debt reserve	-	-	1,385	-	-	-	(1,385)	-	-	-
Transfer from special reserve	-	-	-	-	-	-	-	-	-	-
Transfer to impairment reserve	-	-	-	-	-	100	(100)	-	-	-
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	(4,662)	(4,662)	-	(4,662)
Deferred tax asset on impairment reserve	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	(7,856)	-	-	-
Cash dividends paid	-	-	-	-	-	-	(15,711)	(15,711)	-	(15,711)
<i>Balance at 30 June 2020 RO (unaudited)</i>	<i>164,966</i>	<i>31,632</i>	<i>15,385</i>	<i>(8,439)</i>	<i>1,893</i>	<i>9,434</i>	<i>38,250</i>	<i>253,121</i>	<i>124,000</i>	<i>377,121</i>
<i>Balance at 30 June 2020 (US\$ '000) (unaudited)</i>	<i>428,483</i>	<i>82,161</i>	<i>39,961</i>	<i>(21,919)</i>	<i>4,917</i>	<i>24,504</i>	<i>99,351</i>	<i>657,458</i>	<i>322,078</i>	<i>979,536</i>
<i>Balance at 1 July 2020</i>	<i>164,966</i>	<i>31,632</i>	<i>15,385</i>	<i>(8,439)</i>	<i>1,893</i>	<i>9,434</i>	<i>38,250</i>	<i>253,121</i>	<i>124,000</i>	<i>377,121</i>
Profit for the period	-	-	-	-	-	-	11,467	11,467	-	11,467
Other comprehensive expense, net of tax	-	-	-	4,400	-	-	-	4,400	-	4,400
<i>Total comprehensive income</i>	-	-	-	<i>4,400</i>	-	-	<i>11,467</i>	<i>15,867</i>	-	<i>15,867</i>
Transfer to legal reserve	-	2,396	-	-	-	-	(2,396)	-	-	-
Transfer to impairment reserve	-	-	-	-	-	693	(693)	-	-	-
Transfer from special reserve	-	-	-	-	(895)	-	895	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	(27)	-	-	27	-	-	-
Deferred tax asset reversal on impairment reserve	-	-	-	-	-	-	-	-	-	-
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	(4,638)	(4,638)	-	(4,638)
Transfer from subordinated debt reserve	-	-	(5,000)	-	-	-	5,000	-	-	-
Transfer to subordinated debt reserve	-	-	1,015	-	-	-	(1,015)	-	-	-
<i>Proceeds from Tier 1 perpetual subordinated bond</i>	-	-	-	-	-	-	-	-	-	-
<i>Balance at 31 December 2020 RO</i>	<i>164,966</i>	<i>34,028</i>	<i>11,400</i>	<i>(4,066)</i>	<i>998</i>	<i>10,127</i>	<i>46,897</i>	<i>264,350</i>	<i>124,000</i>	<i>388,350</i>
<i>Balance at 31 December 2020 (US\$ '000)</i>	<i>428,482</i>	<i>88,385</i>	<i>29,611</i>	<i>(10,561)</i>	<i>2,592</i>	<i>26,303</i>	<i>121,811</i>	<i>686,623</i>	<i>322,078</i>	<i>1,008,701</i>

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.

AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000
CASH FLOWS FROM OPERATING ACTIVITIES				
35,003	39,812	Profit before taxation	15,327	13,476
		Adjustments for:		
3,166	3,603	Depreciation	1,387	1,219
19,616	19,937	Net impairment on financial assets and write off	7,676	7,552
135	154	End of service benefits provision	60	52
(696)	(265)	Unrealised gain on investments securities	(102)	(268)
-	(7,130)	Gain on sale of investment securities	(2,745)	-
57,224	56,111	Operating profit before working capital changes	21,603	22,031
-	(90,000)	Increase in due from banks	(34,650)	-
(261,582)	(196,300)	Increase in loans & advances and financing	(75,575)	(100,709)
(777)	(236)	Net movement in FVTPL investment securities	(91)	(299)
10,052	(13,367)	(Increase)/ Decrease in other assets	(5,146)	3,870
(52,060)	43,151	Increase/(Decrease) in due to banks	16,613	(20,043)
(187,044)	112,816	Increase/(Decrease) in customers' deposits	43,434	(72,012)
7,719	22,083	Increase in other liabilities	8,502	2,972
(75)	(53)	End of service benefits paid	(20)	(29)
(426,543)	(65,795)	Cash used in operations	(25,330)	(164,219)
(9,514)	(6,481)	Tax paid	(2,495)	(3,663)
(436,057)	(72,276)	Net cash used in operating activities	(27,825)	(167,882)
CASH FLOWS FROM INVESTING ACTIVITIES				
(54,457)	(117,392)	Increase in investment, net (excluding FVTPL investment)	(45,196)	(20,966)
(4,922)	(7,961)	Purchase of property and equipment	(3,065)	(1,895)
(59,379)	(125,353)	Net cash used in investing activities	(48,261)	(22,861)
CASH FLOWS FROM FINANCING ACTIVITIES				
160,000	(75,000)	(Decrease)/Increase in borrowed funds	(28,875)	61,600
-	(7,792)	(Decrease) in subordinated liabilities	(3,000)	-
-	78,221	Net Proceeds from rights issue	30,115	-
(12,109)	(12,045)	Interest paid on Tier 1 perpetual subordinated bond	(4,637)	(4,662)
(40,808)	(25,321)	Dividends paid	(9,749)	(15,711)
107,083	(41,937)	Net cash (used in)/ generated from financing activities	(16,146)	41,227
(388,353)	(239,566)	Net change in cash and cash equivalents	(92,232)	(149,516)
169,522	210,661	Cash and cash equivalents at 1 January	81,105	65,266
(218,831)	(28,905)	Cash and cash equivalents at 30 June	(11,127)	(84,250)

Cash and cash equivalent comprises of the following:

30-Jun-20 US\$ '000	30-Jun-21 US\$ '000		30-Jun-21 RO '000	30-Jun-20 RO '000
153,070	169,655	Cash and current balances with Central Bank of Oman	65,317	58,932
53,951	40,147	Due from banks	15,457	20,771
-	282,792	Treasury bills with three months maturity	108,875	-
(425,852)	(521,499)	Due to banks	(200,776)	(163,953)
(218,831)	(28,905)		(11,127)	(84,250)

Reconciliation of liabilities arising from financing activities

30-Jun-20 US\$ '000	30-Jun-21 US\$ '000		30-Jun-21 RO '000	30-Jun-20 RO '000
Borrowed funds				
330,000	415,000	Balance at beginning of the period	159,775	127,050
160,000	(75,000)	Cash flows	(28,875)	61,600
490,000	340,000	Balance at end of the period	130,900	188,650

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 2021**

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 34 branches (20 conventional and 14 Islamic branches). The registered address of the Bank is PO Box 545, Mina Al Fahal, Postal Code 116, Sultanate of Oman.

The Bank employed 781 employees as at 30 June 2021 compared to 685 as at 30 June 2020 and 730 as at 31 December 2020.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed financial statements for the six month period ended 30 June 2021 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 2021 are not necessarily indicative of the results that may be expected for the financial year 2021.

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 2020.

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, IFRS 7, IFRS 4 and IFRS 16

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

Interbank Offered Rate (IBOR) Reform- Phase 1 Amendments

The Bank had adopted Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform Phase 1) with effect from 1 January 2020. Banks will cease rate submissions for the calculation of the London Interbank Offered Rates (LIBOR), for all currencies and tenors (other than certain tenors of USD LIBOR), after December 31, 2021. For 1 month, 3 month, 6 month and 12 month tenors of USD, rate submission will cease after June 30, 2023. IBOR reform Phase 1 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. IBOR reform Phase 1 provides reliefs which require the Bank to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered because of IBOR reform. In addition, the reliefs allow the Bank to not discontinue hedging relationships because of retrospective or prospective ineffectiveness. IBOR Reform Phase 1 also requires additional disclosures in relation to those hedging relationships to which the reliefs are applied.

In order to manage the transition from LIBOR to alternative rates, the Bank's treasury and risk department is evaluating potential changes to market infrastructures on our risk framework, models, systems and processes, and reviewing legal documents to ensure that the Bank is prepared prior to the cessation of LIBOR.

Interest rate benchmark reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2) is effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted. IBOR reform Phase 2 includes a number of reliefs and additional disclosures. These reliefs relate to modifications of financial instruments, lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate. The reliefs apply upon the transition of a financial instrument from a LIBOR to a risk-free-rate (RFR). Moreover, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued without any interruption.

The amendments made to IFRS provide relief from the potential effects of the uncertainty caused by the reform. These amendments are effective from periods beginning or after 1 January 2021 with earlier application being permitted. The Bank is currently assessing the impact of these reforms and next steps to ensure a smooth transition to the new benchmark.

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

- Financial Assets RO 413.8 million equivalent to US\$ 1,074.8 million.
- Financial Liabilities RO 164.2 million equivalent to US\$ 426.5 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 267.1 million equivalent to US\$ 693.7 million as of 30 June 2021.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
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 2020, except for the estimates as described below.

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 the spread of the virus which includes ramping up their vaccination efforts. During Q2-2021, the vaccination rates in the Sultanate and the world in general have gone up significantly to achieve the ultimate goal of reducing the impact of the virus and further disruptions.

The Covid-19 pandemic has been accompanied by low oil prices, a major driver of the economy of the Sultanate. Loss of oil revenues, tourism revenues and disruption to supply chains resulted in weakening of the macro-economic environment. However, the year 2021 has shown slight improvements in the business and economic environment of the country including the positive impact of improving oil prices compared to 2020. Since 2020, 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 18 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 18 months etc. During the year 2021, CBO in addition to extending the period of stimulus package, discontinued the application of two track approaches amongst other things as mention under circular BM 1149. 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 37.1 to the financial statements for the year ended 31 December 2020. 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, Real estate, construction, Mall and recreation 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 (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

I. Credit risk management (Continued)

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

The Bank continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or of long term in nature. During the year 2020, the Bank has initiated payment relief to support its impacted customers by deferring interest/principal due for a period of six months to one year in accordance with CBO guidelines. These were extended till September 30, 2021 by CBO circular issued in March 2021. These payment reliefs are considered as short-term liquidity to address the borrower cash flow issues which does not automatically trigger SICR criteria. The Bank has considered the accounting impact for modification of such loans granted to borrowers in accordance with IFRS 9 and has concluded that the impact is not material on these interim condensed financial statements.

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 reduction in oil prices and a decline in GDP growth and applying various scenarios for the purpose of carrying out stress testing. The results of these scenarios vary widely and as such the Bank has incorporated an overlay which is included in the net impairment charge.

For computation of ECL, the Bank has incorporated the changes of reduction in oil prices and decline in GDP as part of the macroeconomic forecast in the ECL model.

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

30-Jun-21			30-Jun-21		
ECL without overlays	ECL with Overlays		ECL without overlays	ECL with Overlays	
US\$ '000	US\$ '000		RO'000	RO'000	
50,132	51,799	Retail	19,301	19,942	
93,232	104,747	Corporate	35,894	40,328	
23,309	25,192	Others	8,974	9,699	
166,673	181,738	Total	64,169	69,969	

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-21			30-Jun-21		
Impact on ECL	ECL	Particulars	ECL	Impact on ECL	
US\$ '000	US\$ '000		RO'000	RO'000	
	83,784	ECL on non impaired financial assets under IFRS 9	32,257		
(30,007)	53,777	Good scenario - 100% weighted	20,704	(11,553)	
4,288	88,072	Base scenario - 100% weighted	33,908	1,651	
20,051	103,835	Bad scenario - 100% weighted	39,977	7,720	

31-Dec-20			31-Dec-20		
Impact on ECL	ECL	Particulars	ECL	Impact on ECL	
US\$ '000	US\$ '000		RO'000	RO'000	
	73,790	ECL on non impaired financial assets under IFRS 9	28,409		
(24,040)	49,749	Good scenario - 100% weighted	19,154	(9,255)	
3,384	77,174	Base scenario - 100% weighted	29,712	1,303	
17,222	91,011	Bad scenario - 100% weighted	35,039	6,630	

30-Jun-20			30-Jun-20		
Impact on ECL	ECL	Particulars	ECL	Impact on ECL	
US\$ '000	US\$ '000		RO'000	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	

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

5. LOANS & ADVANCES AND FINANCING, NET

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
			Conventional Banking			
3,415,312	3,262,306	3,564,086	Corporate lending	1,372,173	1,255,988	1,314,895
1,573,065	1,537,382	1,588,517	Retail lending	611,579	591,892	605,630
4,988,377	4,799,688	5,152,603	Loans & advances, gross	1,983,752	1,847,880	1,920,525
			Islamic Banking			
553,543	546,891	586,184	Corporate financing	225,681	210,553	213,114
373,657	363,434	377,444	Retail financing	145,316	139,922	143,858
927,200	910,325	963,628	Financing, gross	370,997	350,475	356,972
5,915,577	5,710,013	6,116,231	Loans & advances and financing, gross	2,354,749	2,198,355	2,277,497
(152,208)	(130,421)	(176,501)	Loans and financing impairment (including reserve interest and profit)	(67,953)	(50,212)	(58,600)
5,763,369	5,579,592	5,939,730		2,286,796	2,148,143	2,218,897

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

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
1,063,081	1,084,052	1,152,025	0-5%	443,530	417,360	409,286
4,496,984	4,256,050	4,631,180	5-7%	1,783,004	1,638,579	1,731,339
345,460	360,140	318,870	7-10%	122,765	138,654	133,002
10,052	9,771	14,156	More than 10%	5,450	3,762	3,870
5,915,577	5,710,013	6,116,231		2,354,749	2,198,355	2,277,497

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

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
1,756,167	1,643,238	1,762,283	0-1 year	678,479	632,647	676,124
660,223	641,156	676,634	1-3 years	260,504	246,845	254,186
502,226	490,494	588,218	3-5 years	226,464	188,840	193,357
2,844,753	2,804,704	2,912,595	More than 5 years	1,121,349	1,079,811	1,095,230
5,763,369	5,579,592	5,939,730		2,286,796	2,148,143	2,218,897

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
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-21					30-Jun-20					31-Dec-20				
	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	68,392	-	-	68,392	177,641	66,860	-	-	66,860	173,662	105,318	-	-	105,318	273,553
Loans & advances and financing	1,796,746	484,746	73,257	2,354,749	6,116,231	1,742,382	399,033	56,940	2,198,355	5,710,013	1,769,171	441,924	66,402	2,277,497	5,915,577
Investment securities	380,596	-	-	380,596	988,561	220,036	-	-	220,036	571,522	301,162	-	-	301,162	782,239
Other assets	21,115	3,876	-	24,991	64,912	7,159	5,899	-	13,058	33,917	19,046	1,709	-	20,755	53,909
Loan commitments and financial guarantees	168,313	56,021	-	224,334	582,685	236,517	53,640	-	290,157	753,656	185,532	52,521	-	238,053	618,319

b) Movement in impairment allowance and provision

	30-Jun-21					30-Jun-20					31-Dec-20				
	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	124	-	-	124	322	3	-	-	3	8	3	-	-	3	8
Loans & advances and financing	8,315	18,491	31,794	58,600	152,208	6,116	14,599	20,814	41,529	107,868	6,116	14,599	20,814	41,529	107,868
Investment securities	52	-	-	52	134	27	-	-	27	70	27	-	-	27	70
Other assets	34	5	-	39	101	2	9	-	11	29	2	9	-	11	29
Loan commitments and financial guarantees	374	1,014	-	1,388	3,605	238	858	-	1,096	2,847	238	858	-	1,096	2,847
Net transfer between stages															
Loans & advances and financing	1,106	(1,529)	423	-	-	2,372	(2,784)	412	-	-	3,423	(4,318)	895	-	-
Investment securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	3	(3)	-	-	-	6	(6)	-	-	-
Loan commitments and financial guarantees	-	-	-	-	-	(13)	13	-	-	-	(7)	7	-	-	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
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-21					30-Jun-20					31-Dec-20				
	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)															
Due from banks	56	-	-	56	145	-	-	-	-	-	121	-	-	121	314
Loans & advances and financing	(856)	4,714	5,495	9,353	24,293	(2,529)	7,023	4,189	8,683	22,553	(1,224)	8,210	10,085	17,071	44,340
Investment securities	4	-	-	4	10	8	-	-	8	21	25	-	-	25	65
Other assets	(15)	6	-	(9)	(23)	1	1	-	2	5	26	2	-	28	73
Loan commitments and financial guarantees	89	273	-	362	940	27	160	-	187	486	143	149	-	292	758
Closing balance															
Due from banks	180	-	-	180	468	3	-	-	3	8	124	-	-	124	322
Loans & advances and financing	8,565	21,676	37,712	67,953	176,502	5,959	18,838	25,415	50,212	130,421	8,315	18,491	31,794	58,600	152,208
Investment securities	56	-	-	56	145	35	-	-	35	91	52	-	-	52	134
Other assets	19	11	-	30	78	6	7	-	13	34	34	5	-	39	101
Loan commitments and financial guarantees	463	1,287	-	1,750	4,545	252	1,031	-	1,283	3,332	374	1,014	-	1,388	3,605

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
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	Net amount as per CBO norms	Net amount as per IFRS 9	Reserve interest as per CBO norms
					CBO provision required and provision held			
(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 (10)
Standard	Stage 1	1,796,746	25,935	8,565	17,370	1,770,811	1,788,181	-
	Stage 2	343,195	-	9,424	(9,424)	343,195	333,771	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		2,139,941	25,935	17,989	7,946	2,114,006	2,121,952	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	141,551	-	12,252	(12,252)	141,551	129,299	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		141,551	-	12,252	(12,252)	141,551	129,299	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,131	231	544	(313)	867	587	33
Subtotal		1,131	231	544	(313)	867	587	33
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	14,046	10,282	6,355	3,927	2,826	7,691	938
Subtotal		14,046	10,282	6,355	3,927	2,826	7,691	938
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	58,080	37,294	30,813	6,481	14,864	27,267	5,922
Subtotal		58,080	37,294	30,813	6,481	14,864	27,267	5,922
Other items not covered under CBO circular BM 977 and related instructions*	Stage 1	638,416	-	718	(718)	638,416	637,698	-
	Stage 2	59,897	-	1,298	(1,298)	59,897	58,599	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		698,313	-	2,016	(2,016)	698,313	696,297	-
Total	Stage 1	2,435,162	25,935	9,283	16,652	2,409,227	2,425,879	-
	Stage 2	544,643	-	22,974	(22,974)	544,643	521,669	-
	Stage 3	73,257	47,807	37,712	10,095	18,557	35,545	6,893
	Total in RO	3,053,062	73,742	69,969	3,773	2,972,427	2,983,093	6,893
	Total in US\$ '000	7,930,030	191,537	181,738	9,798	7,720,590	7,748,293	17,904

* 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 (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021
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	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 (10)
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	44,003	998	2,290	(1,292)	43,005	41,713	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		44,003	998	2,290	(1,292)	43,005	41,713	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	27,875	14,051	11,486	2,564	11,668	16,389	2,157
Sub total		27,875	14,051	11,486	2,564	11,668	16,389	2,157
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	44,003	998	2,290	(1,292)	43,005	41,713	-
	Stage 3	27,875	14,051	11,486	2,564	11,668	16,389	2,157
	Total in RO	71,878	15,049	13,776	1,272	54,673	58,102	2,157
	Total in US\$ '000	186,697	39,087	35,783	3,304	142,008	150,914	5,601

*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	7,676	7,676	-
Provisions required as per CBO norms/ held as per IFRS 9*	73,742	69,969	3,773
Gross NPL ratio (percentage)	3.11%	3.11%	-
Net NPL ratio (percentage)	1.08%	1.51%	-0.43%

*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.

**As per CBO circular BSD/CB & FLCs/2021/002 dated March 18, 2021, CBO has discontinued the application of two track approach as per BM 1149 and hence, the Bank is not required to calculate additional provisions as per CBO norms for the year 2021. Accordingly, provisions required as per CBO norms is same as at 31 December 2020 and there will be no change in Impairment Reserve during the year 2021

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
5. LOANS & ADVANCES AND FINANCING, NET (CONTINUED)
5.4 Modification of loans

In line with the CBO circular, the Bank has accepted request for deferments and waivers during 2020 and current period. In case of Corporate customers, the Bank has accrued the interest during the deferral period to the principal outstanding and either extended the original maturity period of the loan and/or increased the installments at the end of the deferral period. In case of Retail customers, the Bank has extended the maturity of the loan without changing installments.

As per Bank assessment there is no de-recognition of the loans happened based on the deferral granted as the deferral is for a short term period and revised terms are not substantially different from the original terms.

The following table contains the details of exposure pertaining to loans & advances and financings to the customers, who have been provided with deferral benefits, and the related ECL:

Unaudited
30-Jun-21

	Stage 1	Stage 2	Total	Total
	RO '000	RO '000	RO '000	US\$ '000
Total Exposure	191,337	274,535	465,872	1,210,057
Total ECL			12,448	32,332

Audited
31-Dec-20

	Stage 1	Stage 2	Total	Total
	RO '000	RO '000	RO '000	US\$ '000
Total Exposure	770,810	374,919	1,145,729	2,975,919
Total ECL			14,044	36,478

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

6. INVESTMENT SECURITIES

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
			Equity investments:			
1,810	1,997	2,048	Measured at FVTPL	788	769	697
11,712	12,049	13,955	Designated at FVOCI	5,373	4,639	4,509
13,522	14,046	16,003	Total Equity investments	6,161	5,408	5,206
			Debt investments:			
782,239	571,523	988,561	Designated at FVOCI	380,596	220,036	301,162
795,761	585,569	1,004,564	Total investment securities	386,757	225,444	306,368

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

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
			Equity investments:			
			A. Measured at FVTPL			
			Quoted investments - Oman			
400	392	56	Banking and investment sector	22	151	154
405	382	-	- Service sector	-	147	156
112	78	-	- Manufacturing sector	-	30	43
			Quoted investments - Foreign			
47	153	68	Manufacturing	26	59	18
327	138	380	Construction	146	53	126
125	312	160	Banking and investment sector	61	120	48
394	542	1,384	Service sector	533	209	152
1,810	1,997	2,048	Total	788	769	697
			B. Designated at FVOCI			
			Quoted investments - Oman			
1,881	1,761	2,052	Manufacturing	790	678	724
2,855	2,787	1,410	Banking and investment sector	543	1,073	1,099
5,216	4,436	4,678	Service sector	1,801	1,708	2,008
			Quoted investments - Foreign			
229	434	1,755	Manufacturing	676	167	88
491	1,205	2,003	Banking and investment sector	771	464	189
816	1,226	2,057	Service sector	792	472	314
224	200	-	- Construction	-	77	87
11,712	12,049	13,955	Total	5,373	4,639	4,509

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

6. INVESTMENT SECURITIES (continued)

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
			Debt investments:			
			A. Designated at FVOCI			
			Quoted investments - Oman			
361,745	368,198	463,538	Government development bonds	178,462	141,756	139,272
79,055	72,904	54,333	Government bonds	20,918	28,068	30,436
78,821	79,197	81,508	Government sukuks	31,381	30,491	30,346
33,940	31,403	45,753	Services	17,615	12,090	13,067
13,036	-	13,036	Banking and investment	5,019	-	5,019
194,805	-	207,792	Treasury bills	80,000	-	75,000
			Quoted investments - Foreign			
2,140	2,086	2,154	Government bonds	829	803	824
-	-	75,000	US treasury bills	28,875	-	-
18,697	17,735	45,447	Banking and investment	17,497	6,828	7,198
782,239	571,523	988,561	Total debt investments	380,596	220,036	301,162
795,761	585,569	1,004,564	Total investments	386,757	225,444	306,368

7. CUSTOMERS' DEPOSITS

Customers' deposits can be analysed as follows:

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
			Conventional Banking			
2,941,766	2,401,332	2,810,078	Time deposits	1,081,880	924,513	1,132,580
909,384	927,021	1,003,267	Demand deposits	386,258	356,903	350,113
406,483	354,701	473,678	Savings deposits	182,366	136,560	156,496
4,257,633	3,683,054	4,287,023		1,650,504	1,417,976	1,639,189
			Islamic Banking			
360,077	279,564	399,686	Time deposits	153,879	107,632	138,630
126,081	96,834	110,340	Demand deposits	42,481	37,281	48,541
255,310	199,545	314,868	Savings deposits	121,224	76,825	98,294
741,468	575,943	824,894		317,584	221,738	285,465
4,999,101	4,258,997	5,111,917		1,968,088	1,639,714	1,924,654

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

2,119,813	1,569,001	1,742,681	0-6 Months	670,932	604,066	816,128
975,483	856,320	1,093,987	6-12 months	421,185	329,683	375,561
1,395,223	991,900	1,239,605	1-3 years	477,248	381,881	537,160
508,582	841,776	1,035,644	3 years and above	398,723	324,084	195,804
4,999,101	4,258,997	5,111,917		1,968,088	1,639,714	1,924,654

Interest rate bands of deposits is as follows:

1,243,651	960,491	1,351,483	0-2%	520,321	369,789	478,806
1,207,862	1,090,348	1,086,909	2-4%	418,460	419,784	465,027
2,526,809	2,208,158	2,652,746	4-6%	1,021,307	850,141	972,821
20,779	-	20,779	6-7%	8,000	-	8,000
4,999,101	4,258,997	5,111,917		1,968,088	1,639,714	1,924,654

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

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-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
Directors and senior management						
2,436	2,532	2,543	Loans & advances and financing, net	979	975	938
3,268	1,727	4,169	Customers' deposits	1,605	665	1,258
Major shareholders and others						
4,086	4,597	3,564	Due from banks	1,372	1,770	1,573
499	1,099	330	Investment securities	127	423	192
			Other assets			
579	810	125	Fair value of forward contracts	48	312	223
11,909	11,236	2,106	Due to banks	811	4,326	4,585
68	361	57	Customers' deposits	22	139	26
			Other liabilities	-	-	-
3	-	-	Fair value of forward contracts	-	-	1
8,701	9,564	6,242	Fair value of swaps	2,403	3,682	3,350
888	888	888	Contingent liabilities and commitments	342	342	342

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

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
Directors and senior management						
109	42	47	Interest and profit income	18	16	42
60	18	62	Interest and profit expense	24	7	23
384	-	-	- Board remuneration proposed	-	-	148
135	57	49	Board sitting fees	19	22	52
86	47	36	Shariah supervisory board expenses	14	18	33
Major shareholders and others						
121	106	32	Interest and profit expense	12	41	47
4,132	4,995	2,460	Loss on fair value of interest rate swaps	947	1,923	1,591
			Gain on forward foreign exchange			
579	810	125	contracts	48	312	223

As at 30 June 2021, guarantees were issued to beneficiaries on behalf of related party amounting to RO 3.057 million equivalent to US\$ 7.94 million (30 June 2020: RO 3.156 million equivalent to US\$ 8.20 million).

Compensation of the key management personnel for the six month period ended 30 June 2021 was RO 0.755 million equivalent to US\$ 1.96 million (30 June 2020: RO 0.814 million equivalent to US\$ 2.11 million).

9. SHARE CAPITAL

The authorised share capital of the Bank is 2,500,000,000 shares of 100 baizas each (30 June 2020 and 31 December 2020: 2,500,000,000 shares of 100 baizas each) out of which 1,949,657,466 shares (30 June 2020 and 31 December 2020: 1,649,657,466 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 2021 shareholding of AUB was 682,380,099 shares equivalent to 35% (30 June 2020 and 31 December 2020: 577,380,102 shares equivalent to 35%).

During the year, the Bank raised additional capital through rights issue of 30,000,000 shares at par. In relation to the rights issue, the Bank received RO 300,000 towards rights issue expenses and it incurred RO 185,000 towards the issue expenses. Accordingly, excess of receipts over expenses towards share issue expenses amounting to RO 115,000 has been transferred to the legal reserve.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
10. INTEREST INCOME

Interest bearing assets earned interest at an overall annualised rate of 5.50% for six months period ended 30 June 2021 (30 June 2020 - 5.59%)

Unaudited 30-Jun-20	Unaudited 30-Jun-21		Unaudited 30-Jun-21	Unaudited 30-Jun-20
US\$ '000	US\$ '000		RO '000	RO '000
131,429	135,393	Loans and advances	52,126	50,600
12,322	15,119	Investments	5,821	4,744
446	1,574	Due from banks	606	172
144,197	152,086		58,553	55,516

11. INTEREST EXPENSE

The average annualised cost of funds for six months period ended 30 June 2021 is 3.39% (30 June 2020: 3.48%)

Unaudited 30-Jun-20	Unaudited 30-Jun-21		Unaudited 30-Jun-21	Unaudited 30-Jun-20
US\$ '000	US\$ '000		RO '000	RO '000
54,039	65,145	Time deposits	25,081	20,805
14,094	11,774	Demand and saving deposits	4,533	5,426
9,390	5,112	Borrowings	1,968	3,615
5,035	4,587	Inter-bank deposits	1,766	1,939
82,558	86,618		33,348	31,785

12. OTHER OPERATING INCOME

Unaudited 30-Jun-20	Unaudited 30-Jun-21		Unaudited 30-Jun-21	Unaudited 30-Jun-20
US\$ '000	US\$ '000		RO '000	RO '000
-	7,130	Gain on sale of investments, net	2,745	-
4,603	3,086	Foreign exchange gain, net	1,188	1,772
675	366	Dividend income	141	260
(696)	265	Unrealized gains on FVTPL investments	102	(268)
4,582	10,847		4,176	1,764

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-21			30-Jun-20		
	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	341	217	558	330	195	525
Fees income	948	2,804	3,752	468	2,570	3,038
Commission income	30	818	848	11	704	715
Total fee and commission income	1,319	3,839	5,158	809	3,469	4,278
Fee expense	(440)	(13)	(453)	(269)	(2)	(271)
Fee and commission, net	879	3,826	4,705	540	3,467	4,007
	30-Jun-21			30-Jun-20		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Disaggregated income						
Service charges	884	565	1,449	857	507	1,364
Fees income	2,462	7,283	9,745	1,216	6,675	7,891
Commission	78	2,125	2,203	29	1,828	1,857
Total fee and commission income	3,424	9,973	13,397	2,102	9,010	11,112
Fee expense	(1,143)	(34)	(1,177)	(700)	(4)	(704)
Fee and commission, net	2,281	9,939	12,220	1,402	9,006	10,408

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
14. NET IMPAIRMENT ON FINANCIAL ASSETS

Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000
-	147	Net Impairment charge		
		Due from banks	56	-
22,554	24,293	Loans & advances and financing	9,353	8,683
21	11	Investment securities	4	8
5	(24)	Other assets	(9)	2
486	939	Loan commitments and financial guarantees	362	187
8	(33)	Loans & advances and financing written off	(13)	3
(816)	(1,172)	Recovery of loans written off earlier	(451)	(314)
22,258	24,161		9,302	8,569
(2,642)	(4,223)	Less: Interest reserved during the period	(1,626)	(1,017)
19,616	19,938		7,676	7,552

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

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
62,254	32,471	34,566	Profit for the period/year	13,307	12,501	23,968
1,649,657	1,649,657	1,813,746	Weighted average number of outstanding shares during the period/year (in 000's)	1,813,746	1,649,657	1,649,657
4	2	2	Earnings per share (cents /baizas)	7	8	15

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

Earnings per share at and for the six months period ended 30 June 2021 and comparative periods have been calculated using the weighted average shares outstanding for the current period. The weighted average shares outstanding for the six months ended 30 June 2021 were 1,657,712,261 which included rights issue of 30,000,000 shares at par in March 2021

15.2 NET ASSETS VALUE PER SHARE

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
686,623	657,458	757,834	Net assets	291,766	253,121	264,350
1,649,657	1,649,657	1,949,657	Issued and paid up shares (in'000)	1,949,657	1,649,657	1,649,657
42	40	39	Net assets value per share (cents/baizas)	150	153	160

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
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-21			30-Jun-20			31-Dec-20		
	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	8,345	16,860	25,205	8,796	14,935	23,731	17,551	31,299	48,850
Net income from islamic financing and investments	2,075	3,309	5,384	1,679	5,142	6,821	3,419	7,825	11,244
Net interest income and income from islamic financing and investments	10,420	20,169	30,589	10,475	20,077	30,552	20,970	39,124	60,094
Other operating income	1,179	7,702	8,881	747	1,017	1,764	1,735	9,667	11,402
Net operating income	11,599	27,871	39,470	11,222	21,094	32,316	22,705	48,791	71,496
Segment assets	745,952	2,102,392	2,848,344	722,984	1,774,262	2,497,246	739,286	1,963,191	2,702,477
Segment liabilities	579,013	1,853,565	2,432,578	338,785	1,781,340	2,120,125	473,527	1,840,600	2,314,127
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net interest income	21,676	43,792	65,468	22,847	38,792	61,639	45,587	81,296	126,883
Net income from islamic financing and investments	5,389	8,595	13,984	4,361	13,356	17,717	8,881	20,324	29,205
Net interest income and income from islamic financing and investments	27,065	52,387	79,452	27,208	52,148	79,356	54,468	101,620	156,088
Other operating income	3,062	20,005	23,067	1,940	2,642	4,582	4,506	25,109	29,615
Net operating income	30,127	72,392	102,519	29,148	54,790	83,938	58,974	126,729	185,703
Segment assets	1,937,537	5,460,758	7,398,295	1,877,881	4,608,473	6,486,354	1,920,223	5,099,197	7,019,420
Segment liabilities	1,503,930	4,814,455	6,318,385	879,961	4,626,857	5,506,818	1,229,940	4,780,779	6,010,719

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-21			30-Jun-20			31-Dec-20		
	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	788	-	788	769	-	769	697	-	697
Investments at FVOCI	176,996	208,973	385,969	52,429	172,246	224,675	61,053	244,618	305,671
<i>Derivative financial instruments</i>	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	931	931	-	-	-	-	849	849
Forward foreign exchange contracts	556	-	556	2,111	-	2,111	1,813	-	1,813
	178,340	209,904	388,244	55,309	172,246	227,555	63,563	245,467	309,030
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	4,279	4,279	-	6,032	6,032	-	5,890	5,890
Forward foreign exchange contracts	105	-	105	37	-	37	98	-	98
	105	4,279	4,384	37	6,032	6,069	98	5,890	5,988
Financial assets:	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Investments at FVTPL	2,048	-	2,048	1,997	-	1,997	1,810	-	1,810
Investments at FVOCI	459,730	542,786	1,002,516	136,179	447,392	583,571	158,579	635,372	793,951
<i>Derivative financial instruments</i>	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	2,418	2,418	-	-	-	-	2,205	2,205
Forward foreign exchange contracts	1,444	-	1,444	5,483	-	5,483	4,709	-	4,709
	463,222	545,204	1,008,426	143,659	447,392	591,051	165,098	637,577	802,675
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	11,115	11,115	-	15,668	15,668	-	15,299	15,299
Forward foreign exchange contracts	273	-	273	96	-	96	255	-	255
	273	11,115	11,388	96	15,668	15,764	255	15,299	15,554

No financial instruments are carried at level 3 fair value as on 30 June 2021 (30 June 2020 and 31 December 2020: nil)

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

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
	RO '000	RO '000	RO '000
At 30 June 2021			
Derivatives for hedging:			
Interest rate swaps	931	4,279	267,089
Derivatives:			
Forward purchase contracts	-	105	244,461
Forward sales contracts	556	-	244,011
Derivatives for hedging:	US\$ 000	US\$ 000	US\$ 000
Interest rate swaps	2,418	11,115	693,738
Derivatives:			
Forward purchase contracts	-	273	634,965
Forward sales contracts	1,444	-	633,794
At 30 June 2020	RO '000	RO '000	RO '000
<i>Derivatives for hedging:</i>			
Interest rate swaps	-	6,032	154,193
<i>Derivatives:</i>			
Forward purchase contracts	-	37	246,465
Forward sales contracts	2,111	-	244,391
<i>Derivatives for hedging:</i>	US\$ 000	US\$ 000	US\$ 000
Interest rate swaps	-	15,668	400,501
<i>Derivatives:</i>			
Forward purchase contracts	-	96	640,169
Forward sales contracts	5,483	-	634,782
At 31 December 2020	RO '000	RO '000	RO '000
<i>Derivatives for hedging:</i>			
Interest rate swaps	849	5,890	(5,041)
<i>Derivatives:</i>			
Forward purchase contracts	-	98	212,029
Forward sales contracts	1,813	-	213,744
<i>Derivatives for hedging:</i>	US\$ 000	US\$ 000	US\$ 000
Interest rate swaps	2,205	15,299	(13,093)
<i>Derivatives:</i>			
Forward purchase contracts	-	255	550,725
Forward sales contracts	4,709	-	555,179

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

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
19. CONTINGENT LIABILITIES AND COMMITMENTS

Audited 31-Dec-20 US\$ '000	Unaudited 30-Jun-20 US\$ '000	Unaudited 30-Jun-21 US\$ '000		Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
323,429	442,761	331,366	Financial guarantees	127,576	170,463	124,520
172,345	178,052	136,132	Letters of credit	52,411	68,550	66,353
122,545	132,842	115,187	Loan commitments	44,347	51,144	47,180
4,377	1,530	20,070	Capital commitments	7,727	589	1,685
622,696	755,185	602,755		232,061	290,746	239,738

20. ASSETS AND LIABILITIES MATURITY

As at 30 June 2021	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	869,023	345,937	486,968	1,146,416	2,848,344
Liabilities and equity	(685,903)	(793,748)	(603,005)	(765,688)	(2,848,344)
Net liquidity gap	183,120	(447,811)	(116,037)	380,728	-
Net liquidity gap in US \$ '000	475,637	(1,163,147)	(301,395)	988,905	-

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 31 December 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	807,013	329,302	447,543	1,118,619	2,702,477
Liabilities and equity	(578,260)	(707,592)	(860,217)	(556,408)	(2,702,477)
Net liquidity gap	228,753	(378,290)	(412,674)	562,211	-
Net liquidity gap in US \$ '000	594,163	(982,571)	(1,071,881)	1,460,289	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
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. As per CBO circular BSD/CB/2020/001 dated 18 March 2020, capital conversion buffer will be reduced by 50% from 2.5% to 1.25%. Accordingly, the minimum capital adequacy ratio requirement for the year is 12.25% including capital conservation buffer of 1.25% (31 December 2020: 12.25% including capital conservation buffer of 1.25%). The capital adequacy ratio working is as follows:

The following table sets out the capital adequacy position

	Unaudited 30-Jun-21 RO '000	Unaudited 30-Jun-20 RO '000	Audited 31-Dec-20 RO '000
Common Equity Tier 1 (CET1)	262,723	234,416	239,044
Additional Tier 1	124,000	124,000	124,000
Tier 1	386,723	358,416	363,044
Tier 2	20,707	20,517	22,448
Total regulatory capital	407,430	378,933	385,492
Risk weighted assets			
Credit risk	2,299,180	2,144,718	2,270,314
Market risk	51,560	86,468	72,689
Operational risk	129,573	117,449	117,449
Total risk weighted assets	2,480,313	2,348,635	2,460,452
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	10.59%	9.98%	9.72%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.59%	15.26%	14.76%
Tier II capital expressed as a percentage of total risk-weighted assets	0.83%	0.88%	0.91%
Total regulatory capital expressed as a percentage of total risk-weighted assets	16.43%	16.13%	15.67%
	US\$ '000	US\$ '000	US\$ '000
Common Equity Tier 1 (CET1)	682,399	608,872	620,893
Additional Tier 1	322,078	322,078	322,078
Tier 1	1,004,477	930,950	942,971
Tier 2	53,783	53,291	58,308
Total regulatory capital	1,058,260	984,241	1,001,279
Risk weighted assets			
Credit risk	5,971,897	5,570,696	5,896,920
Market risk	133,923	224,592	188,802
Operational risk	336,552	305,062	305,062
Total risk weighted assets	6,442,372	6,100,350	6,390,784
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	10.59%	9.98%	9.72%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.59%	15.26%	14.76%
Tier II capital expressed as a percentage of total risk-weighted assets	0.83%	0.88%	0.91%
Total regulatory capital expressed as a percentage of total risk-weighted assets	16.43%	16.13%	15.67%

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.