



AHLI BANK SAOG
Interim condensed financial statements
FOR THE SIX MONTH PERIOD ENDED
30 June 2023

Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the unaudited interim financial statements of ahlibank for the six months period ended 30 June 2023.

The upgrade of Oman's credit rating from 'Ba3' to 'Ba2' in May 2023 by Moody's whilst maintaining a positive outlook reflects the improving fiscal health of the economy resulting from the focused efforts of the government. The government has utilized the surplus finances prudently to reduce public debt, reflecting the sustained emphasis on fiscal policy and the effectiveness of financial governance. This is further supported by Fitch Ratings, who have stated that Oman's banking and financial services sector is well placed to recover over the coming quarters. A stronger demand for credit will support lending activity and asset growth in the near term, however, this may come under pressure due to higher interest rates.

ahlibank has continued to strengthen its reputation as one of the preferred Banks through maintaining consistent and constant growth, together with its wide range of products and services. This all further establishes ahlibank as a leading player in the Oman banking industry. The stable economic conditions will enable the Bank in moving ahead with its plan for the year. The number and wide range of awards received recently serve as clear indicators of its significant ongoing contribution to the banking industry.

Financial Performance

The performance of the first six months for fiscal year 2023, has been shown below:

| | 30-June-23 | 30-June-22 | Growth % |
|---------------------------------|------------|------------|----------|
| | RO Million | | |
| Net Loans, Advances & Financing | 2,662.6 | 2,494.2 | 6.8% |
| Customers' Deposits | 2,411.3 | 2,212.2 | 9.0% |
| Total Assets | 3,183.7 | 3,046.3 | 4.5% |
| Equity | 459.3 | 421.4 | 9.0% |
| Operating Income | 49.06 | 44.72 | 9.7% |
| Operating Expenses | 19.58 | 19.32 | (1.3)% |
| Profit for the Period | 19.91 | 15.78 | 26.2% |

The Bank's net loans, advances, and financing grew by 6.8%, to reach RO 2,662.6 million as of 30 June 2023, compared to RO 2,494.2 during the corresponding period last year. Customer deposits increased by 9.0 % to reach RO 2,411.3 million compared to RO 2,212.2 million on 30 June 2022. Total assets recorded a 4.5% increase, from RO 3,046.3 as of 30 June 2022 to RO 3,183.7 as of 30 June 2023. Operating income increased by 9.7 % to reach RO 49.06 million for the six months period ended 30 June 2023, and operating expenses increased by 1.3 % to reach RO 19.58 million for the six months period ended 30 June 2023. Profit for the six months period ended June 30, 2023, increased by 26.2 % to reach RO 19.91 million, in comparison to RO 15.78 million for the first half of 2022.

Highlights of achievements

ahlibank celebrated its 15th anniversary in the first quarter, celebrating this with the inauguration of its new iconic head office in Wattayah. The second quarter has been notable with the Bank's achievements being recognized with several awards, reflecting its commitment and contribution to the local and regional banking industry.

The Oman Banking and Finance Awards at the New Age Banking Summit 2023 honored the Bank with three prestigious accolades: 'CEO of the Year', 'Excellence in Corporate Banking' and 'Excellence in Digital Transformation' awards. Earlier, the Bank was awarded the 'Best Private Bank in Oman' at the MENA Banking Excellence Awards 2023, which is one of the highest honors considering the competitive nature of Oman's banking and finance sector, testifying that ahlibank is a leading player.

Adding to the collection of accolades, the Bank's CEO was honored with the prestigious CEO by Today Middle East Award. This prestigious award acknowledges the exemplary and forward-thinking leadership demonstrated by business leaders operating across various key sectors in the Middle East region.

ahlibank's strategic participation in the COMEX exhibition demonstrated the progress with the Bank's digital transformation strategy. The Bank also hosted the Etimad graduation, together with a host of exclusive offers and benefits for its customers across its diverse segments. The Bank's talent development initiatives like Himam, iGeneration, Business Graduate Program and Middle Management training, continue to remain an area of focus.

Corporate Social Responsibility

ahlibank continues its steadfast commitment to prioritizing projects and activities that focus on uplifting the community and people in which it operates. In keeping with its values of sharing and caring, the Bank initiated a community engagement program under 'ahli cares' to assist families in need during the holy month of Ramadan. ahlibank collaborated with the Seeb charity team to provide essential Ramadan provisions to a large number of households in the Seeb Wilayat.

As part of its Ramadan corporate social responsibility (CSR) program, ahlibank introduced the *ahlibank Souq* in April of this year, adding another dimension to its initiatives. Through this Souq, a first of its kind initiative in the bank's history, 40 SMEs from different sectors were able to showcase their products and services. It also provided support to local community development, to youth projects, as well as female entrepreneurs.

In the second quarter of 2023, the Bank reached another milestone with the 'Tamkeen' crowd funding initiative, successfully concluded deals worth OMR 2 million within a nine-month period since its launch – a significant achievement. An open day event was held to celebrate this success with stakeholders and beneficiaries of the program, throwing the spotlight on SMEs and their significant role in providing job opportunities, and in diversifying and enhancing the economy.

Looking Ahead

As one of the fastest growing and preferred banks in the country, ahlibank has professionally shouldered its responsibility in shaping financial inclusion and in setting the benchmark for excellence in customer service through digitally enhanced products and services. Customers from different segments are the primary

stakeholders in our sustained growth and we aim to make their banking journey engaging and pleasant. The Bank will continue with its investment in human capital to develop responsive managers and professionals thereby creating a vibrant and innovative center of banking.

ahlibank is cognizant of the role of banks in the sustainable development of the economy, and has, accordingly, set its digital transformation journey in line with the Oman Vision 2040, which is pivotal to the progress charted by the government.

Acknowledgments

On behalf of the Board of Directors, I would like to acknowledge the unwavering support and trust of ahlibank's shareholders in our initiatives and capabilities to deliver on our commitments. Your steadfast support has empowered the Bank and our team to steadfastly strive for and achieve new milestones.

In addition, my deepest appreciation goes out to the Bank's Executive Management and every individual of the ahlibank community whose relentless efforts to fortify the Bank's foundation are the driving force behind its continued success.

In conclusion, we affirm ahlibank's commitment to His Majesty Sultan Haitham bin Tarik and the nation's economic progression as outlined in Vision 2040.



Hamdan Ali Nasser Al Hinai
Chairman

AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

| Audited 31-Dec-22 US\$'000 | Unaudited 30-Jun-22 US\$'000 | Unaudited 30-Jun-23 US\$'000 | | Note | Unaudited 30-Jun-23 RO'000 | Unaudited 30-Jun-22 RO'000 | Audited 31-Dec-22 RO'000 |
|----------------------------------|------------------------------------|------------------------------------|--|------|----------------------------------|----------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| 343,408 | 186,608 | 303,208 | Cash and balances with Central Bank of Oman | | 116,735 | 71,844 | 132,212 |
| 195,187 | 36,400 | 130,018 | Due from banks | | 50,057 | 14,014 | 75,147 |
| 761,462 | 1,051,423 | 715,462 | Investment securities | 6 | 275,453 | 404,798 | 293,163 |
| 6,494,635 | 6,478,462 | 6,915,881 | Loans & advances and financing, net | 5 | 2,662,614 | 2,494,208 | 2,500,435 |
| 102,351 | 85,735 | 104,293 | Other assets | | 40,153 | 33,008 | 39,405 |
| 91,180 | 73,792 | 100,366 | Property, equipment and intangibles | | 38,641 | 28,410 | 35,104 |
| 7,988,223 | 7,912,420 | 8,269,228 | TOTAL ASSETS | | 3,183,653 | 3,046,282 | 3,075,466 |
| LIABILITIES | | | | | | | |
| 580,137 | 602,296 | 429,132 | Due to banks | | 165,216 | 231,884 | 223,353 |
| 5,964,237 | 5,746,005 | 6,263,112 | Customers' deposits | 7 | 2,411,298 | 2,212,212 | 2,296,231 |
| - | 260,000 | 100,000 | Borrowed funds | 8 | 38,500 | 100,100 | - |
| 29,725 | 23,514 | 32,629 | Tax liability | | 12,562 | 9,053 | 11,444 |
| 216,879 | 186,138 | 251,333 | Other liabilities | | 96,763 | 71,663 | 83,499 |
| 6,790,978 | 6,817,953 | 7,076,206 | TOTAL LIABILITIES | | 2,724,339 | 2,624,912 | 2,614,527 |
| EQUITY | | | | | | | |
| 506,405 | 506,405 | 506,405 | Share capital | 10 | 194,966 | 194,966 | 194,966 |
| 104,450 | 95,854 | 104,450 | Legal reserve | | 40,213 | 36,904 | 40,213 |
| (6,397) | (12,040) | (2,558) | Fair value reserve | | (985) | (4,636) | (2,463) |
| 2,592 | 2,592 | 2,592 | Special reserve | | 998 | 998 | 998 |
| 26,303 | 26,303 | 26,303 | Impairment reserve | | 10,127 | 10,127 | 10,127 |
| 176,879 | 153,275 | 168,817 | Retained earnings | | 64,995 | 59,011 | 68,098 |
| 810,232 | 772,389 | 806,009 | TOTAL NET EQUITY ATTRIBUTABLE TO THE OWNERS OF THE BANK | | 310,314 | 297,370 | 311,939 |
| 387,013 | 322,078 | 387,013 | Tier 1 Perpetual subordinated bonds | | 149,000 | 124,000 | 149,000 |
| 1,197,245 | 1,094,467 | 1,193,022 | TOTAL EQUITY | | 459,314 | 421,370 | 460,939 |
| 7,988,223 | 7,912,420 | 8,269,228 | TOTAL LIABILITIES AND NET EQUITY | | 3,183,653 | 3,046,282 | 3,075,466 |
| 42 | 40 | 41 | Net assets value per share (US cents / baizas) | 16.2 | 159 | 153 | 160 |
| 613,817 | 584,909 | 577,478 | Contingent liabilities and commitments | 20 | 222,329 | 225,190 | 236,319 |

The interim condensed financial statements were approved by the Board of Directors on 26 July 2023 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.

AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**

| Six month period ended | | Three month period ended | | | Three month period ended | | Six month period ended | |
|------------------------|------------------------|--------------------------|------------------------|--|--------------------------|------------------------|------------------------|------------------------|
| Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | | Note | Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 |
| US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | | | RO '000 | RO '000 | RO '000 |
| 157,798 | 180,286 | 79,534 | 92,673 | Interest income | 11 | 35,679 | 30,620 | 69,410 |
| (80,369) | (99,223) | (40,013) | (51,888) | Interest expense | 12 | (19,977) | (15,405) | (38,201) |
| 77,429 | 81,063 | 39,521 | 40,785 | NET INTEREST INCOME | | 15,702 | 15,215 | 31,209 |
| 30,447 | 37,826 | 14,288 | 20,312 | Income from Islamic financing and investments | | 7,820 | 5,501 | 14,563 |
| (15,932) | (19,732) | (8,418) | (10,675) | Unrestricted investment account holders' share of profit and profit expense | | (4,110) | (3,241) | (7,597) |
| 14,515 | 18,094 | 5,870 | 9,637 | NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS | | 3,710 | 2,260 | 6,966 |
| | | | | NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS | | 19,412 | 17,475 | 38,175 |
| 91,944 | 99,157 | 45,391 | 50,422 | Fees and commission income | 14 | 4,845 | 3,774 | 8,714 |
| (1,039) | (1,296) | (397) | (813) | Fees and commission expense | 14 | (313) | (153) | (499) |
| 18,005 | 21,338 | 9,406 | 11,771 | Net fees and commission income | | 4,532 | 3,621 | 8,215 |
| 6,202 | 6,926 | 3,447 | 4,632 | Other operating income | 13 | 1,784 | 1,327 | 2,667 |
| 116,151 | 127,421 | 58,244 | 66,825 | OPERATING INCOME | | 25,728 | 22,423 | 49,057 |
| (30,831) | (30,823) | (14,792) | (14,642) | Staff expenses | | (5,637) | (5,695) | (11,867) |
| (4,239) | (4,740) | (2,156) | (2,434) | Depreciation | | (937) | (830) | (1,825) |
| (15,096) | (15,286) | (7,966) | (7,392) | Other operating expenses | | (2,846) | (3,067) | (5,885) |
| (50,166) | (50,849) | (24,914) | (24,468) | OPERATING EXPENSES | | (9,420) | (9,592) | (19,577) |
| (17,384) | (17,410) | (7,847) | (8,714) | Net impairment on financial assets | 15 | (3,355) | (3,021) | (6,703) |
| 48,601 | 59,162 | 25,483 | 33,643 | PROFIT BEFORE TAXATION | | 12,953 | 9,810 | 22,777 |
| (7,621) | (7,447) | (4,026) | (3,618) | Income Tax expense | | (1,393) | (1,550) | (2,867) |
| 40,980 | 51,715 | 21,457 | 30,025 | PROFIT FOR THE PERIOD | | 11,560 | 8,260 | 19,910 |
| | | | | OTHER COMPREHENSIVE INCOME / EXPENSE - NET OF TAX | | | | |
| | | | | <i>Items that will not be reclassified to profit or loss</i> | | | | |
| 585 | (400) | 194 | (969) | Equity investments at FVOCI - net changes in fair value | | (373) | 75 | (154) |
| | | | | <i>Items that will be reclassified to profit or loss</i> | | | | |
| 940 | 1,096 | 252 | 408 | Cash flow hedge - net changes in fair value | | 157 | 97 | 422 |
| (7,096) | 3,261 | (4,449) | 5,908 | Changes in fair value of FVOCI debt investments | | 2,274 | (1,713) | 1,255 |
| (5,571) | 3,957 | (4,003) | 5,347 | OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD | | 2,058 | (1,541) | 1,523 |
| 35,409 | 55,672 | 17,454 | 35,372 | TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 13,618 | 6,719 | 21,433 |
| 2 | 2 | 1 | 1 | Basic and diluted earnings per share (US cents/baizas) | 16.1 | 5 | 4 | 7 |

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 2023**

| | Share capital | Legal reserve | Subordinated loan 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 2023 | 194,966 | 40,213 | - | (2,463) | 998 | 10,127 | 68,098 | 311,939 | 149,000 | 460,939 |
| Profit for the period | - | - | - | - | - | - | 19,910 | 19,910 | - | 19,910 |
| Other comprehensive income, net of tax | - | - | - | 1,523 | - | - | - | 1,523 | - | 1,523 |
| Total comprehensive income | - | - | - | 1,523 | - | - | 19,910 | 21,433 | - | 21,433 |
| Interest paid on Tier 1 perpetual subordinated bond | - | - | - | - | - | - | (5,511) | (5,511) | - | (5,511) |
| Gain on sale of equity investments at FVOCI | - | - | - | (45) | - | - | 45 | - | - | - |
| Transactions with owners recognised directly in equity | | | | | | | | | | |
| Cash dividends paid | - | - | - | - | - | - | (17,547) | (17,547) | - | (17,547) |
| Balance at 30 June 2023 RO (unaudited) | 194,966 | 40,213 | - | (985) | 998 | 10,127 | 64,995 | 310,314 | 149,000 | 459,314 |
| Balance at 30 June 2023 (US\$ '000) (unaudited) | 506,405 | 104,450 | - | (2,558) | 2,592 | 26,303 | 168,817 | 806,009 | 387,013 | 1,193,022 |

| | Share capital | Legal reserve | Subordinated loan 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 2022 | 194,966 | 36,904 | 3,000 | (2,552) | 998 | 10,127 | 59,554 | 302,997 | 124,000 | 426,997 |
| Profit for the period | - | - | - | - | - | - | 15,777 | 15,777 | - | 15,777 |
| Other comprehensive expense, net of tax | - | - | - | (2,145) | - | - | - | (2,145) | - | (2,145) |
| Total comprehensive income | - | - | - | (2,145) | - | - | 15,777 | 13,632 | - | 13,632 |
| Transfer from subordinated loan reserve | - | - | (3,000) | - | - | - | 3,000 | - | - | - |
| Interest paid on Tier 1 perpetual subordinated bond | - | - | - | - | - | - | (4,637) | (4,637) | - | (4,637) |
| Loss on sale of equity investments at FVOCI | - | - | - | 61 | - | - | (61) | - | - | - |
| Transactions with owners recognised directly in equity | | | | | | | | | | |
| Cash dividends paid | - | - | - | - | - | - | (14,622) | (14,622) | - | (14,622) |
| Balance at 30 June 2022 RO (unaudited) | 194,966 | 36,904 | - | (4,636) | 998 | 10,127 | 59,011 | 297,370 | 124,000 | 421,370 |
| Balance at 30 June 2022 (US\$ '000) (unaudited) | 506,405 | 95,854 | - | (12,040) | 2,592 | 26,303 | 153,275 | 772,389 | 322,078 | 1,094,467 |
| Balance at 1 July 2022 | 194,966 | 36,904 | - | (4,636) | 998 | 10,127 | 59,011 | 297,370 | 124,000 | 421,370 |
| Profit for the period | - | - | - | - | - | - | 17,313 | 17,313 | - | 17,313 |
| Other comprehensive expense, net of tax | - | - | - | 1,919 | - | - | - | 1,919 | - | 1,919 |
| Total comprehensive income | - | - | - | 1,919 | - | - | 17,313 | 1,919 | - | 1,919 |
| Transfer to legal reserve | - | 3,309 | - | - | - | - | (3,309) | - | - | - |
| Issue of Tier 1 Perpetual bonds | - | - | - | - | - | - | - | - | 75,000 | 75,000 |
| Redemption of Tier 1 perpetual bonds | - | - | - | - | - | - | - | - | (50,000) | (50,000) |
| Interest paid on Tier 1 perpetual subordinated bond | - | - | - | - | - | - | (4,663) | (4,663) | - | (4,663) |
| Loss on sale of equity investments at FVOCI | - | - | - | 254 | - | - | (254) | - | - | - |
| Balance at 31 December 2022 RO | 194,966 | 40,213 | - | (2,463) | 998 | 10,127 | 68,098 | 311,939 | 149,000 | 460,939 |
| Balance at 31 December 2022 (US\$ '000) | 506,405 | 104,450 | - | (6,397) | 2,592 | 26,303 | 176,879 | 810,232 | 387,013 | 1,197,245 |

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 2023**

| Unaudited 30-Jun-22 US\$ '000 | Unaudited 30-Jun-23 US\$ '000 | | Unaudited 30-Jun-23 RO '000 | Unaudited 30-Jun-22 RO '000 |
|---|-------------------------------------|---|-----------------------------------|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| 48,600 | 59,163 | Profit before taxation | 22,777 | 18,711 |
| Adjustments for: | | | | |
| 4,239 | 4,740 | Depreciation and amortisation | 1,825 | 1,632 |
| 17,384 | 17,410 | Net impairment on financial assets | 6,703 | 6,693 |
| 156 | 303 | End of service benefits provision | 117 | 60 |
| (432) | (85) | Net gain on investments | (33) | (166) |
| 69,947 | 81,531 | Operating profit before working capital changes | 31,389 | 26,930 |
| 10,000 | (51,948) | (Increase)/Decrease in due from banks | (20,000) | 3,850 |
| 999 | - | Net movement in FVTPL investment securities | - | 384 |
| (256,941) | (438,655) | Increase in loans & advances and financing | (168,882) | (98,922) |
| 8,172 | 1,943 | Decrease in other assets | 748 | 3,146 |
| (79,107) | (151,004) | Decrease in due to banks | (58,137) | (30,456) |
| 80,055 | 298,876 | Increase in customers' deposits | 115,067 | 30,821 |
| (28,672) | 29,945 | Increase/(Decrease) in other liabilities | 11,529 | (11,039) |
| (195,547) | (229,312) | Cash used in operations | (88,286) | (75,286) |
| (6,200) | (9,618) | Tax paid | (3,703) | (2,387) |
| (171) | (247) | End of service benefits paid | (95) | (66) |
| (201,918) | (239,177) | Net cash used in operating activities | (92,084) | (77,739) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| 2,346 | 46,202 | Decrease in investment, net | 17,788 | 903 |
| (8,813) | (4,446) | Purchase of property and equipment | (1,712) | (3,393) |
| (6,467) | 41,756 | Net cash generated from/(used in) investing activities | 16,076 | (2,490) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| 20,000 | 100,000 | Increase in borrowed funds | 38,500 | 7,700 |
| (7,792) | - | Decrease in subordinated loans | - | (3,000) |
| (12,045) | (14,314) | Interest paid on Tier 1 perpetual subordinated bond | (5,511) | (4,637) |
| (37,979) | (45,576) | Dividends paid | (17,547) | (14,622) |
| (37,816) | 40,110 | Net cash generated from/(used in) financing activities | 15,442 | (14,559) |
| (246,201) | (157,311) | Net change in cash and cash equivalents | (60,566) | (94,788) |
| 779,278 | 537,228 | Cash and cash equivalents at 1 January | 206,833 | 300,022 |
| 533,077 | 379,917 | Cash and cash equivalents at 30 June | 146,267 | 205,234 |

Cash and cash equivalent comprises of the following:

| 30-Jun-22 US\$ '000 | 30-Jun-23 US\$ '000 | | 30-Jun-23 RO '000 | 30-Jun-22 RO '000 |
|------------------------|------------------------|---|----------------------|----------------------|
| 185,245 | 301,847 | Cash and current balances with Central Bank of Oman | 116,210 | 71,319 |
| 36,401 | 78,070 | Due from banks | 30,057 | 14,014 |
| 311,431 | - | Treasury bills with three months maturity | - | 119,901 |
| 533,077 | 379,917 | | 146,267 | 205,234 |

Reconciliation of liabilities arising from financing activities

| 30-Jun-22 US\$ '000 | 30-Jun-23 US\$ '000 | | 30-Jun-23 RO '000 | 30-Jun-22 RO '000 |
|------------------------|------------------------|------------------------------------|----------------------|----------------------|
| Borrowed funds | | | | |
| 240,000 | - | Balance at beginning of the period | - | 92,400 |
| 20,000 | 100,000 | Cash flows | 38,500 | 7,700 |
| 260,000 | 100,000 | Balance at end of the period | 38,500 | 100,100 |

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**
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 42 branches (23 conventional and 19 Islamic branches). The registered address of the Bank is PO Box 545, Mina Al Fahal, Postal Code 116, Sultanate of Oman.

The Bank employed 903 employees as at 30 June 2023 compared to 814 as at 30 June 2022 and 864 as at 31 December 2022

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed financial statements for the six month period ended 30 June 2023 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 2023 are not necessarily indicative of the results that may be expected for the financial year 2023.

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 2022

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

During the period ended June 30, 2023, there were no changes in accounting policies. The accounting policies have been disclosed in Note 3 of the financial statements for the year ended December 31, 2022

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 2022

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.

I. Credit risk management

The Bank's existing credit risk management practices are disclosed in note 36.1 to the financial statements for the year ended 31 December 2022. There are no changes as compared to last year.

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

The overall impact of judgmental overlays on the ECL is shown below:

| 30-Jun-23 | | | 30-Jun-23 | | |
|----------------------|-------------------|--------------|----------------------|-------------------|--|
| ECL without overlays | ECL with Overlays | | ECL without overlays | ECL with Overlays | |
| US\$ '000 | US\$ '000 | | RO'000 | RO'000 | |
| 44,008 | 44,008 | Retail | 16,943 | 16,943 | |
| 124,764 | 179,842 | Corporate | 48,034 | 69,239 | |
| 249 | 249 | Others | 96 | 96 | |
| 169,021 | 224,099 | Total | 65,073 | 86,278 | |

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-23 | | | 30-Jun-23 | | |
|---------------|-----------|---|-----------|---------------|--|
| Impact on ECL | ECL | Particulars | ECL | Impact on ECL | |
| US\$ '000 | US\$ '000 | | RO'000 | RO'000 | |
| | 80,724 | ECL on non impaired financial assets under IFRS 9 | 31,079 | | |
| (11,781) | 68,945 | Good scenario - 100% weighted | 26,544 | (4,536) | |
| (423) | 80,303 | Base scenario - 100% weighted | 30,917 | (163) | |
| 12,627 | 93,353 | Bad scenario - 100% weighted | 35,941 | 4,861 | |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022**
4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (continued)
Sensitivity analysis - ECL (continued)

| 31-Dec-22 | | | 31-Dec-22 | |
|---------------|-----------|---|-----------|---------------|
| Impact on ECL | ECL | Particulars | ECL | Impact on ECL |
| US\$ '000 | US\$ '000 | | RO'000 | RO'000 |
| | 84,279 | ECL on non impaired financial assets under IFRS 9 | 32,448 | |
| (22,279) | 62,000 | Good scenario - 100% weighted | 23,870 | (8,578) |
| 2,592 | 86,871 | Base scenario - 100% weighted | 33,445 | 997 |
| 17,094 | 101,373 | Bad scenario - 100% weighted | 39,029 | 6,581 |
| 30-Jun-22 | | | 30-Jun-22 | |
| Impact on ECL | ECL | Particulars | ECL | Impact on ECL |
| US\$ '000 | US\$ '000 | | RO'000 | RO'000 |
| | 92,254 | ECL on non impaired financial assets under IFRS 9 | 35,518 | |
| (22,129) | 70,125 | Good scenario - 100% weighted | 26,998 | (8,520) |
| 2,411 | 94,665 | Base scenario - 100% weighted | 36,446 | 928 |
| 17,135 | 109,389 | Bad scenario - 100% weighted | 42,115 | 6,597 |

5. LOANS & ADVANCES AND FINANCING, NET

| Audited 31-Dec-22 | Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 | Audited 31-Dec-22 |
|-----------------------------|------------------------|------------------------|------------------------|------------------------|----------------------|
| US\$ '000 | US\$ '000 | US\$ '000 | RO '000 | RO '000 | RO '000 |
| Conventional Banking | | | | | |
| 3,898,977 | 4,066,641 | 4,307,664 | 1,658,450 | 1,565,657 | 1,501,106 |
| 1,531,374 | 1,540,774 | 1,520,345 | 585,333 | 593,198 | 589,579 |
| 5,430,351 | 5,607,415 | 5,828,009 | 2,243,783 | 2,158,855 | 2,090,685 |
| Islamic Banking | | | | | |
| 897,584 | 710,706 | 935,091 | 360,010 | 273,622 | 345,570 |
| 396,909 | 382,410 | 408,262 | 157,181 | 147,228 | 152,810 |
| 1,294,493 | 1,093,116 | 1,343,353 | 517,191 | 420,850 | 498,380 |
| 6,724,844 | 6,700,531 | 7,171,362 | 2,760,974 | 2,579,705 | 2,589,065 |
| (230,209) | (222,070) | (255,481) | (98,360) | (85,497) | (88,630) |
| 6,494,635 | 6,478,461 | 6,915,881 | 2,662,614 | 2,494,208 | 2,500,435 |

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

| Audited 31-Dec-22 | Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 | Audited 31-Dec-22 |
|----------------------|------------------------|------------------------|------------------------|------------------------|----------------------|
| US\$ '000 | US\$ '000 | US\$ '000 | RO '000 | RO '000 | RO '000 |
| 1,066,042 | 1,273,233 | 1,035,277 | 398,581 | 490,195 | 410,426 |
| 4,885,238 | 5,182,397 | 5,000,010 | 1,925,004 | 1,995,223 | 1,880,817 |
| 752,231 | 227,356 | 1,114,813 | 429,203 | 87,532 | 289,609 |
| 21,333 | 17,545 | 21,262 | 8,186 | 6,755 | 8,213 |
| 6,724,844 | 6,700,531 | 7,171,362 | 2,760,974 | 2,579,705 | 2,589,065 |

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

| Audited 31-Dec-22 | Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 | Audited 31-Dec-22 |
|----------------------|------------------------|------------------------|------------------------|------------------------|----------------------|
| US\$ '000 | US\$ '000 | US\$ '000 | RO '000 | RO '000 | RO '000 |
| 1,678,533 | 1,932,594 | 2,053,265 | 790,507 | 744,049 | 646,236 |
| 746,898 | 745,156 | 663,490 | 255,444 | 286,885 | 287,555 |
| 654,970 | 652,458 | 713,032 | 274,517 | 251,196 | 252,163 |
| 3,414,234 | 3,148,253 | 3,486,094 | 1,342,146 | 1,212,078 | 1,314,481 |
| 6,494,635 | 6,478,461 | 6,915,881 | 2,662,614 | 2,494,208 | 2,500,435 |

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**
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-23 | | | | | 30-Jun-22 | | | | | 31-Dec-22 | | | | |
|---|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|
| | 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 | 148,041 | - | - | 148,041 | 384,523 | 67,558 | - | - | 67,558 | 175,475 | 189,113 | - | - | 189,113 | 491,203 |
| Loans & advances and financing | 2,164,154 | 492,305 | 104,515 | 2,760,974 | 7,171,361 | 2,021,766 | 470,673 | 87,266 | 2,579,705 | 6,700,532 | 2,060,340 | 431,152 | 97,573 | 2,589,065 | 6,724,844 |
| Investment securities | 247,094 | - | - | 247,094 | 641,802 | 388,418 | - | - | 388,418 | 1,008,879 | 265,856 | - | - | 265,856 | 690,535 |
| Other assets | 24,607 | 2,717 | - | 27,324 | 70,972 | 18,103 | 2,308 | - | 20,411 | 53,016 | 23,107 | 5,930 | - | 29,037 | 75,421 |
| Loan commitments and financial guarantees | 179,461 | 39,434 | 164 | 219,059 | 568,984 | 178,305 | 40,118 | 172 | 218,595 | 567,779 | 184,935 | 46,606 | 207 | 231,748 | 601,943 |

b) Movement in impairment allowance and provision

| | 30-Jun-23 | | | | | 30-Jun-22 | | | | | 31-Dec-22 | | | | |
|---|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|
| | 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 | 11 | - | - | 11 | 29 | 37 | - | - | 37 | 96 | 37 | - | - | 37 | 96 |
| Loans & advances and financing | 7,837 | 22,027 | 58,766 | 88,630 | 230,208 | 8,873 | 21,802 | 46,201 | 76,876 | 199,678 | 8,873 | 21,802 | 46,201 | 76,876 | 199,678 |
| Investment securities | 66 | - | - | 66 | 171 | 50 | - | - | 50 | 129 | 50 | - | - | 50 | 130 |
| Other assets | 46 | 32 | - | 78 | 202 | 22 | 5 | - | 27 | 70 | 22 | 5 | - | 27 | 70 |
| Loan commitments and financial guarantees | 416 | 2,013 | 35 | 2,464 | 6,398 | 394 | 1,109 | 26 | 1,529 | 3,971 | 394 | 1,109 | 26 | 1,529 | 3,971 |
| Net transfer between stages | | | | | | | | | | | | | | | |
| Due from banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loans & advances and financing | 768 | (984) | 216 | - | - | 2,838 | (1,765) | (1,073) | - | - | 4,662 | (3,129) | (1,533) | - | - |
| Investment securities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | (1) | 1 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loan commitments and financial guarantees | (387) | 387 | - | - | - | (259) | 259 | - | - | - | (38) | (321) | 359 | - | - |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**
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-23 | | | | | 30-Jun-22 | | | | | 31-Dec-22 | | | | |
|---|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|
| | 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 | - | - | - | - | - | (33) | - | - | (33) | (86) | (26) | - | - | (26) | (68) |
| Loans & advances and financing | (1,515) | 1,233 | 10,012 | 9,730 | 25,273 | (1,608) | 3,160 | 7,069 | 8,621 | 22,392 | (5,698) | 3,354 | 14,098 | 11,754 | 30,531 |
| Investment securities | 11 | - | - | 11 | 29 | (1) | - | - | (1) | (3) | 16 | - | - | 16 | 42 |
| Other assets | 9 | (11) | - | (2) | (5) | 69 | 18 | - | 87 | 226 | 24 | 27 | - | 51 | 132 |
| Loan commitments and financial guarantees | 300 | (1,180) | (1) | (881) | (2,288) | 595 | (46) | 1 | 550 | 1,429 | 60 | 1,225 | (350) | 935 | 2,427 |
| Closing balance | | | | | | | | | | | | | | | |
| Due from banks | 11 | - | - | 11 | 29 | 4 | - | - | 4 | 10 | 11 | - | - | 11 | 29 |
| Loans & advances and financing | 7,090 | 22,276 | 68,994 | 98,360 | 255,481 | 10,103 | 23,197 | 52,197 | 85,497 | 222,070 | 7,837 | 22,027 | 58,766 | 88,630 | 230,209 |
| Investment securities | 77 | - | - | 77 | 200 | 49 | - | - | 49 | 127 | 66 | - | - | 66 | 171 |
| Other assets | 54 | 22 | - | 76 | 197 | 91 | 23 | - | 114 | 296 | 46 | 32 | - | 78 | 202 |
| Loan commitments and financial guarantees | 329 | 1,220 | 34 | 1,583 | 4,112 | 730 | 1,322 | 27 | 2,079 | 5,400 | 416 | 2,013 | 35 | 2,464 | 6,398 |

AHLI BANK SAOG
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**
5. LOANS & ADVANCES AND FINANCING, NET (CONTINUED)
5.2 Comparison of provision held as per IFRS 9 and required as per CBO norms

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per CBO norms, including those on restructuring of loan accounts for regulatory reporting purposes.

Disclosure requirements containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognised as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

| Asset classification as per CBO norms | Asset classification as per IFRS 9 | Gross amount | Provision required as per CBO norms** | Provision held as per IFRS 9 | Difference between CBO provision required and provision held | Net amount as per CBO norms | Net amount as per IFRS 9 | Reserve interest as per CBO norms |
|--|------------------------------------|------------------|---------------------------------------|------------------------------|--|-----------------------------|--------------------------|-----------------------------------|
| (1) | (2) | 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 | 2,164,154 | 24,325 | 7,090 | 17,235 | 2,139,829 | 2,157,064 | - |
| | Stage 2 | 324,265 | 3,645 | 11,050 | (7,405) | 320,620 | 313,215 | - |
| | Stage 3 | - | - | - | - | - | - | - |
| Subtotal | | 2,488,419 | 27,970 | 18,140 | 9,830 | 2,460,449 | 2,470,279 | - |
| Special Mention | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | 168,040 | 1,889 | 11,226 | (9,337) | 166,151 | 156,814 | - |
| | Stage 3 | - | - | - | - | - | - | - |
| Subtotal | | 168,040 | 1,889 | 11,226 | (9,337) | 166,151 | 156,814 | - |
| Substandard | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 1,811 | 449 | 771 | (322) | 1,362 | 1,040 | 30 |
| Subtotal | | 1,811 | 449 | 771 | (322) | 1,362 | 1,040 | 30 |
| Doubtful | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 22,438 | 9,781 | 9,754 | 27 | 12,657 | 12,684 | 786 |
| Subtotal | | 22,438 | 9,781 | 9,754 | 27 | 12,657 | 12,684 | 786 |
| Loss | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 80,266 | 55,708 | 58,469 | (2,761) | 24,558 | 21,797 | 13,013 |
| Subtotal | | 80,266 | 55,708 | 58,469 | (2,761) | 24,558 | 21,797 | 13,013 |
| Other items not covered under CBO circular BM 977 and related instructions | Stage 1 | 599,203 | - | 472 | (472) | 599,203 | 598,731 | - |
| | Stage 2 | 42,151 | - | 1,241 | (1,241) | 42,151 | 40,910 | - |
| | Stage 3 | 164 | - | 34 | (34) | 164 | 130 | - |
| Subtotal | | 641,518 | - | 1,747 | (1,747) | 641,518 | 639,771 | - |
| Total | Stage 1 | 2,763,357 | 24,325 | 7,562 | 16,763 | 2,739,032 | 2,755,795 | - |
| | Stage 2 | 534,456 | 5,534 | 23,517 | (17,983) | 528,922 | 510,939 | - |
| | Stage 3 | 104,679 | 65,938 | 69,028 | (3,090) | 38,741 | 35,651 | 13,829 |
| | Total in RO | 3,402,492 | 95,797 | 100,107 | (4,310) | 3,306,695 | 3,302,385 | 13,829 |
| | Total in US\$ '000 | 8,837,642 | 248,823 | 260,018 | (11,195) | 8,588,819 | 8,577,624 | 35,919 |

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 2023
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 | 151,815 | 348 | 2,169 | (1,821) | 151,467 | 149,646 | - |
| | Stage 2 | 283,731 | 650 | 19,113 | (18,463) | 283,081 | 264,618 | - |
| | Stage 3 | - | - | - | - | - | - | - |
| Subtotal | | 435,546 | 998 | 21,282 | (20,284) | 434,548 | 414,264 | - |
| Classified as non-performing | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 24,399 | 16,113 | 9,525 | 6,588 | 8,286 | 14,874 | 3,605 |
| Sub total | | 24,399 | 16,113 | 9,525 | 6,588 | 8,286 | 14,874 | 3,605 |
| Total | Stage 1 | 151,815 | 348 | 2,169 | (1,821) | 151,467 | 149,646 | - |
| | Stage 2 | 283,731 | 650 | 19,113 | (18,463) | 283,081 | 264,618 | - |
| | Stage 3 | 24,399 | 16,113 | 9,525 | 6,588 | 8,286 | 14,874 | 3,605 |
| | Total in RO | 459,945 | 17,111 | 30,807 | (13,696) | 442,834 | 429,138 | 3,605 |
| | Total in US\$ '000 | 1,194,662 | 44,444 | 80,018 | (35,574) | 1,150,218 | 1,114,644 | 9,364 |

*Net of provisions and reserve interest as per CBO norms

**In accordance with CBO requirements, where the aggregate provision on portfolio and 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 had temporarily discontinued the application of two track approach as per BM 1149. This was continued for 2022 through CBO circular BSD/CB & FLCs/2022/001 dated January 12, 2022.

5.3 Impairment charge and provisions held

| | As per CBO Norms | As per IFRS 9 | Difference |
|---|------------------|---------------|------------|
| Impairment loss charged to profit and loss account | 6,703 | 6,703 | - |
| Provisions required as per CBO norms/ held as per IFRS 9* | 95,797 | 100,107 | (4,310) |
| Gross NPL ratio (percentage) | 3.73% | 3.73% | - |
| Net NPL ratio (percentage) | 1.40% | 1.29% | 0.11% |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**

5 LOANS & ADVANCES AND FINANCING, NET (continued)

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on restructuring of loan accounts for the regulatory reporting purposes.

5.2 Comparison of provision held as per IFRS 9 and required as per CBO norms as at 31 December 2022:

Disclosure requirements for the year ended 31 December 2022, containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognised as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

| Asset classification as per CBO norms | Asset classification as per IFRS 9 | Gross amount | Provision required as per CBO norms | Provision held as per IFRS 9 | Difference between CBO provision required and provision held | Net amount as per CBO norms* | Net amount as per IFRS 9 | Reserve interest as per CBO norms |
|--|------------------------------------|------------------|-------------------------------------|------------------------------|--|------------------------------|--------------------------|-----------------------------------|
| (1) | (2) | RO '000 | RO '000 | RO '000 | RO '000 | RO '000 | RO '000 | RO '000 |
| | | (3) | (4) | (5) | (6) = (4)-(5) | (7)=(3)-(4)-(10) | (8) = (3)-(5) | (10) |
| Standard | Stage 1 | 2,060,340 | 23,445 | 7,837 | 15,608 | 2,036,895 | 2,052,503 | - |
| | Stage 2 | 250,025 | 2,840 | 10,204 | (7,364) | 247,185 | 239,821 | - |
| | Stage 3 | - | - | - | - | - | - | - |
| Subtotal | | 2,310,365 | 26,285 | 18,041 | 8,244 | 2,284,080 | 2,292,324 | - |
| Special Mention | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | 181,127 | 2,057 | 11,823 | (9,766) | 179,070 | 169,304 | - |
| | Stage 3 | - | - | - | - | - | - | - |
| Subtotal | | 181,127 | 2,057 | 11,823 | (9,766) | 179,070 | 169,304 | - |
| Substandard | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 17,415 | 4,525 | 7,839 | (3,314) | 12,890 | 9,576 | 223 |
| Subtotal | | 17,415 | 4,525 | 7,839 | (3,314) | 12,890 | 9,576 | 223 |
| Doubtful | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 4,903 | 2,167 | 2,078 | 89 | 2,736 | 2,825 | 371 |
| Subtotal | | 4,903 | 2,167 | 2,078 | 89 | 2,736 | 2,825 | 371 |
| Loss | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 75,255 | 64,528 | 48,849 | 15,679 | 10,727 | 26,406 | 11,140 |
| Subtotal | | 75,255 | 64,528 | 48,849 | 15,679 | 10,727 | 26,406 | 11,140 |
| Other items not covered under CBO circular BM 977 and related instructions | Stage 1 | 663,011 | - | 539 | (539) | 663,011 | 662,472 | - |
| | Stage 2 | 52,536 | - | 2,045 | (2,045) | 52,536 | 50,491 | - |
| | Stage 3 | 207 | - | 35 | (35) | 207 | 172 | - |
| Subtotal | | 715,754 | - | 2,619 | (2,619) | 715,754 | 713,135 | - |
| Total | Stage 1 | 2,723,351 | 23,445 | 8,376 | 15,069 | 2,699,906 | 2,714,975 | - |
| | Stage 2 | 483,688 | 4,898 | 24,072 | (19,174) | 478,790 | 459,616 | - |
| | Stage 3 | 97,780 | 71,220 | 58,801 | 12,419 | 26,560 | 38,979 | 11,734 |
| | Total | 3,304,819 | 99,563 | 91,249 | 8,314 | 3,205,256 | 3,213,570 | 11,734 |
| Total (US \$'000) | | 8,583,945 | 258,605 | 237,010 | 21,594 | 8,325,341 | 8,346,935 | 30,478 |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**

5 LOANS & ADVANCES AND FINANCING, NET (continued)

5.2 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 | RO '000 | RO '000 | RO '000 | RO '000 | RO '000 | RO '000 |
| | | (3) | (4) | (5) | (6) = (4)-(5) | (7)=(3)-(4)-(10) | (8) = (3)-(5) | (10) |
| Classified as performing | Stage 1 | 171,191 | 386 | 2,469 | (2,083) | 170,805 | 168,722 | - |
| | Stage 2 | 271,785 | 612 | 16,919 | (16,307) | 271,173 | 254,866 | - |
| | Stage 3 | - | - | - | - | - | - | - |
| Subtotal | | 442,976 | 998 | 19,388 | (18,390) | 441,978 | 423,588 | - |
| Classified as non-performing | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 23,435 | 15,026 | 12,080 | 2,946 | 8,409 | 11,355 | 3,138 |
| Sub total | | 23,435 | 15,026 | 12,080 | 2,946 | 8,409 | 11,355 | 3,138 |
| Total | Stage 1 | 171,191 | 386 | 2,469 | (2,083) | 170,805 | 168,722 | - |
| | Stage 2 | 271,785 | 612 | 16,919 | (16,307) | 271,173 | 254,866 | - |
| | Stage 3 | 23,435 | 15,026 | 12,080 | 2,946 | 8,409 | 11,355 | 3,138 |
| | Total | 466,411 | 16,024 | 31,468 | (15,444) | 450,387 | 434,943 | 3,138 |
| | Total (US \$'000) | 1,211,457 | 41,620 | 81,735 | (40,115) | 1,169,837 | 1,129,722 | 8,151 |

*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 SOCI | 13,064 | 13,064 | - |
| Provisions required as per CBO norms/ held as per IFRS 9 | 99,563 | 91,249 | 8,314 |
| Gross NPL ratio (percentage) | 3.77% | 3.77% | - |
| Net NPL ratio (percentage) | 1.02% | 1.50% | (0.48%) |

Impairment reserve:

**In accordance with CBO requirements, where the aggregate provision on portfolio and 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 had temporarily discontinued the application of two track approach as per BM 1149. This was continued for 2022 through CBO circular BSD/CB & FLCs/2022/001 dated January 12, 2022, hence there was no change in Impairment Reserve during the year 2022

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

6. INVESTMENT SECURITIES

| Audited 31-Dec-22 | Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 | Audited 31-Dec-22 |
|----------------------|------------------------|------------------------|------------------------------------|------------------------|------------------------|----------------------|
| US\$ '000 | US\$ '000 | US\$ '000 | | RO '000 | RO '000 | RO '000 |
| | | | Equity investments: | | | |
| 22,810 | 1,267 | 26,782 | Measured at FVTPL | 10,311 | 488 | 8,782 |
| 48,117 | 44,724 | 46,878 | Designated at FVOCI | 18,048 | 17,219 | 18,525 |
| 70,927 | 45,991 | 73,660 | Total Equity investments | 28,359 | 17,707 | 27,307 |
| | | | Debt investments: | | | |
| 690,535 | 1,005,432 | 641,802 | Designated at FVOCI | 247,094 | 387,091 | 265,856 |
| 761,462 | 1,051,423 | 715,462 | Total investment securities | 275,453 | 404,798 | 293,163 |

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

| Audited 31-Dec-22 | Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 | Audited 31-Dec-22 |
|----------------------|------------------------|------------------------|-------------------------------------|------------------------|------------------------|----------------------|
| US\$ '000 | US\$ '000 | US\$ '000 | | RO '000 | RO '000 | RO '000 |
| | | | Equity investments: | | | |
| | | | A. Designated at FVTPL | | | |
| | | | Quoted investments - Foreign | | | |
| 22,173 | 534 | 23,600 | Banking and investment sector | 9,086 | 206 | 8,536 |
| 121 | - | 177 | Manufacturing | 68 | - | 47 |
| 516 | 733 | 3,005 | Service sector | 1,157 | 282 | 199 |
| 22,810 | 1,267 | 26,782 | Total | 10,311 | 488 | 8,782 |
| | | | B. Designated at FVOCI | | | |
| | | | Quoted investments - Oman | | | |
| 29,747 | 29,278 | 16,886 | Banking and investment sector | 6,501 | 11,272 | 11,453 |
| 2,786 | 3,446 | 2,039 | Real Estate and Construction | 785 | 1,327 | 1,073 |
| 1,280 | 1,481 | 1,138 | Manufacturing | 438 | 570 | 493 |
| 3,277 | 3,029 | 3,766 | Service sector | 1,450 | 1,166 | 1,261 |
| 37,090 | 37,234 | 23,829 | Total | 9,174 | 14,335 | 14,280 |
| | | | Quoted investments - Foreign | | | |
| 2,791 | 1,923 | 11,553 | Banking and investment sector | 4,448 | 740 | 1,073 |
| 1,724 | - | 1,423 | Real Estate and Construction | 548 | - | 664 |
| 1,121 | 1,303 | 1,478 | Manufacturing | 569 | 502 | 432 |
| 5,391 | 4,264 | 8,595 | Service sector | 3,309 | 1,642 | 2,076 |
| 11,027 | 7,490 | 23,049 | Total | 8,874 | 2,884 | 4,245 |
| 48,117 | 44,724 | 46,878 | Total | 18,048 | 17,219 | 18,525 |

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

6. INVESTMENT SECURITIES (continued)

| Audited 31-Dec-22 | Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 | Audited 31-Dec-22 |
|----------------------|------------------------|------------------------|-------------------------------------|------------------------|------------------------|----------------------|
| US\$ '000 | US\$ '000 | US\$ '000 | | RO '000 | RO '000 | RO '000 |
| | | | Debt investments: | | | |
| | | | A. Designated at FVOCI | | | |
| | | | Quoted investments - Oman | | | |
| 427,501 | 435,055 | 369,891 | Government development bonds | 142,408 | 167,496 | 164,588 |
| 46,260 | 46,384 | 49,265 | Government bonds | 18,967 | 17,858 | 17,810 |
| 126,873 | 123,865 | 127,189 | Government sukuks | 48,968 | 47,688 | 48,846 |
| 66,229 | 45,216 | 67,365 | Services | 25,935 | 17,408 | 25,498 |
| 5,231 | 24,520 | 11,715 | Banking and investment | 4,510 | 9,440 | 2,014 |
| 672,094 | 675,040 | 625,425 | | 240,788 | 259,890 | 258,756 |
| | | | Quoted investments - Foreign | | | |
| 2,099 | 2,098 | - | Government bonds | - | 808 | 808 |
| 16,342 | 16,863 | 16,377 | Banking and investment | 6,306 | 6,492 | 6,292 |
| 18,441 | 18,961 | 16,377 | Total debt investments | 6,306 | 7,300 | 7,100 |
| | | | Unquoted Oman | | | |
| - | 311,431 | - | Government Treasury bills | - | 119,901 | - |
| 690,535 | 1,005,432 | 641,802 | Total investments | 247,094 | 387,091 | 265,856 |
| 761,462 | 1,051,423 | 715,462 | | 275,453 | 404,798 | 293,163 |

7. CUSTOMERS' DEPOSITS

Customers' deposits can be analysed as follows:

| Audited 31-Dec-22 | Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 | Audited 31-Dec-22 |
|----------------------|------------------------|------------------------|-----------------------------|------------------------|------------------------|----------------------|
| US\$ '000 | US\$ '000 | US\$ '000 | | RO '000 | RO '000 | RO '000 |
| | | | Conventional Banking | | | |
| 2,545,720 | 2,127,997 | 2,733,867 | Time deposits | 1,052,539 | 819,279 | 980,102 |
| 1,465,857 | 1,844,534 | 1,449,769 | Demand deposits | 558,161 | 710,146 | 564,355 |
| 707,894 | 672,810 | 657,281 | Savings deposits | 253,053 | 259,032 | 272,539 |
| 4,719,471 | 4,645,341 | 4,840,917 | | 1,863,753 | 1,788,457 | 1,816,996 |
| | | | Islamic Banking | | | |
| 506,122 | 445,521 | 656,449 | Time deposits | 252,733 | 171,526 | 194,857 |
| 397,426 | 246,757 | 375,081 | Demand deposits | 144,406 | 95,001 | 153,009 |
| 341,218 | 408,386 | 390,665 | Savings deposits | 150,406 | 157,228 | 131,369 |
| 1,244,766 | 1,100,664 | 1,422,195 | | 547,545 | 423,755 | 479,235 |
| 5,964,237 | 5,746,005 | 6,263,112 | | 2,411,298 | 2,212,212 | 2,296,231 |

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

| 3,061,060 | 3,298,545 | 3,045,801 | 0-6 Months | 1,172,633 | 1,269,940 | 1,178,509 |
|------------------|------------------|------------------|-------------------|------------------|-----------|-----------|
| 215,739 | 339,099 | 202,077 | 6-12 months | 77,800 | 130,553 | 83,059 |
| 1,815,563 | 1,342,099 | 2,012,466 | 1-3 years | 774,799 | 516,708 | 698,991 |
| 871,875 | 766,262 | 1,002,768 | 3 years and above | 386,066 | 295,011 | 335,672 |
| 5,964,237 | 5,746,005 | 6,263,112 | | 2,411,298 | 2,212,212 | 2,296,231 |

Interest rate bands of deposits is as follows:

| 1,486,553 | 1,746,500 | 1,396,407 | 0-2% | 537,616 | 672,403 | 572,322 |
|------------------|------------------|------------------|------|------------------|-----------|-----------|
| 1,905,623 | 2,337,190 | 1,485,083 | 2-4% | 571,757 | 899,818 | 733,665 |
| 2,551,282 | 1,641,536 | 3,360,843 | 4-6% | 1,293,925 | 631,991 | 982,244 |
| 20,779 | 20,779 | 20,779 | 6-7% | 8,000 | 8,000 | 8,000 |
| 5,964,237 | 5,746,005 | 6,263,112 | | 2,411,298 | 2,212,212 | 2,296,231 |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**
8. BORROWED FUNDS

Borrowed funds includes unsecured US Dollar (USD) borrowing from foreign financial institutions. The financial covenants for this borrowing include the requirement for a minimum capital adequacy ratio and other covenants to be maintained by the Bank which have been complied with during the period

9. 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 commercial terms as approved by the board

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

| Audited 31-Dec-22 US\$'000 | Unaudited 30-Jun-22 US\$'000 | Unaudited 30-Jun-23 US\$'000 | | Unaudited 30-Jun-23 RO'000 | Unaudited 30-Jun-22 RO'000 | Audited 31-Dec-22 RO'000 |
|----------------------------------|------------------------------------|------------------------------------|--|----------------------------------|----------------------------------|--------------------------------|
| | | | Directors and senior management | | | |
| 2,655 | 2,314 | 2,800 | Loans & advances and financing, net | 1,078 | 891 | 1,022 |
| 3,953 | 6,213 | 7,444 | Customers' deposits | 2,866 | 2,392 | 1,522 |
| | | | Major shareholders, it's parent company & it's subsidiaries | | | |
| 4,891 | 4,569 | 3,431 | Due from banks | 1,321 | 1,759 | 1,883 |
| | | | Other assets | | | |
| 3,678 | 826 | 4,088 | - Fair value of swaps | 1,574 | 318 | 1,416 |
| 12,288 | 940 | 1,023 | Due to banks | 394 | 362 | 4,731 |
| 55 | 47 | 8 | Customers' deposits | 3 | 18 | 21 |
| | | | Other liabilities | | | |
| 65 | - | 65 | Fair value of forward contracts | 25 | - | 25 |
| 400 | 400 | 400 | Investments securities | 154 | 154 | 154 |

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

| Audited 31-Dec-22 US\$'000 | Unaudited 30-Jun-22 US\$'000 | Unaudited 30-Jun-23 US\$'000 | | Unaudited 30-Jun-23 RO'000 | Unaudited 30-Jun-22 RO'000 | Audited 31-Dec-22 RO'000 |
|----------------------------------|------------------------------------|------------------------------------|--|----------------------------------|----------------------------------|--------------------------------|
| | | | Directors and senior management | | | |
| 88 | 42 | 49 | Interest and profit income | 19 | 16 | 34 |
| 122 | 75 | 78 | Interest and profit expense | 30 | 29 | 47 |
| 779 | - | - | - Board remuneration proposed | - | - | 300 |
| 125 | 52 | 77 | Board sitting fees | 30 | 20 | 48 |
| 73 | 36 | 52 | Shariah supervisory board expenses | 20 | 14 | 28 |
| | | | Major shareholders, it's parent company and it's subsidiaries | | | |
| 5 | 4 | 3 | Interest and profit expense | 1 | 1 | 2 |
| | | | Gain/(loss) on fair value of interest rate | | | |
| - | 5,540 | 410 | swaps | 158 | 2,133 | (109) |
| | | | (Loss)/gain on forward foreign exchange | | | |
| (283) | 26 | (20) | contracts | (8) | 10 | - |

As at 30 June 2023, guarantees were issued to beneficiaries on behalf of related party amounting to RO 0.248 million equivalent to US\$ 0.64 million (31 December 2022: RO 0.135 million equivalent to US\$ 0.35 million)

Compensation of the key management personnel for the six month period ended 30 June 2022 was RO 1.131 million equivalent to US\$ 2.94 million (30 June 2022: RO 0.933 million equivalent to US\$ 2.43 million).

10. SHARE CAPITAL

The authorised share capital of the Bank is 5,000,000,000 shares of 100 baizas each (31 December 2022 and 30 June 2022 : 2,500,000,000 shares of 100 baizas each) out of which 1,949,657,466 shares are issued and fully paid up (31 December 2022 and 30 June 2022).

Ahli United Bank B.S.C (AUB) and Al Hosn Investment Company SAOC are the shareholders who own 10% or more of the Bank's shares. On 30 June 2023, shareholding of AUB was 682,380,099 shares equivalent to 35% (31 December 2022: 682,380,099 shares equivalent to 35%) and Al Hosn Investment Company SAOC was 276,065,080 shares equivalent to 14.16% (31 December 2022: 276,065,080 equivalent to 14.16%).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**
11. INTEREST INCOME

Interest bearing assets earned interest at an overall annualised rate of 5.84% for six months period ended 30 June 2023 (30 June 2022 - 5.20%)

| Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 |
|------------------------|------------------------|--------------------|------------------------|------------------------|
| US\$ '000 | US\$ '000 | | RO '000 | RO '000 |
| 140,725 | 164,979 | Loans and advances | 63,517 | 54,179 |
| 16,801 | 14,808 | Investments | 5,701 | 6,468 |
| 272 | 499 | Due from banks | 192 | 105 |
| <u>157,798</u> | <u>180,286</u> | | <u>69,410</u> | <u>60,752</u> |

12. INTEREST EXPENSE

The average annualised cost of funds for six months period ended 30 June 2023 is 3.66% (30 June 2022: 2.91%)

| Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 |
|------------------------|------------------------|----------------------------|------------------------|------------------------|
| US\$ '000 | US\$ '000 | | RO '000 | RO '000 |
| 50,562 | 61,089 | Time deposits | 23,519 | 19,466 |
| 21,132 | 25,823 | Demand and saving deposits | 9,942 | 8,136 |
| 4,119 | 979 | Borrowings | 377 | 1,586 |
| 4,556 | 11,332 | Inter-bank deposits | 4,363 | 1,754 |
| <u>80,369</u> | <u>99,223</u> | | <u>38,201</u> | <u>30,942</u> |

13. OTHER OPERATING INCOME

| Unaudited 30-Jun-22 | Unaudited 30-Jun-23 | | Unaudited 30-Jun-23 | Unaudited 30-Jun-22 |
|------------------------|------------------------|---------------------------------------|------------------------|------------------------|
| US\$ '000 | US\$ '000 | | RO '000 | RO '000 |
| 446 | 182 | Gain on sale of investments, net | 70 | 172 |
| 3,327 | 4,646 | Foreign exchange gain, net | 1,789 | 1,281 |
| 2,444 | 2,242 | Dividend income | 863 | 941 |
| (15) | (97) | Unrealized gains on FVTPL investments | (37) | (6) |
| - | (47) | Other income | (18) | - |
| <u>6,202</u> | <u>6,926</u> | | <u>2,667</u> | <u>2,388</u> |

14. 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-23 | | | 30-Jun-22 | | |
|---------------------------------|---------------------------|--|------------------|---------------------------|--|------------------|
| | Retail banking RO '000 | Wholesale banking, investment treasury and banking RO '000 | Total RO '000 | Retail banking RO '000 | Wholesale banking, investment treasury and banking RO '000 | Total RO '000 |
| Disaggregated income | | | | | | |
| Service charges | 642 | 277 | 919 | 533 | 299 | 832 |
| Fees income | 1,363 | 5,409 | 6,772 | 1,310 | 4,344 | 5,654 |
| Commission income | 175 | 848 | 1,023 | 42 | 804 | 846 |
| Total fee and commission income | 2,180 | 6,534 | 8,714 | 1,885 | 5,447 | 7,332 |
| Fee expense | (499) | - | (499) | (400) | - | (400) |
| Fee and commission, net | 1,681 | 6,534 | 8,215 | 1,485 | 5,447 | 6,932 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Disaggregated income | | | | | | |
| Service charges | 1,666 | 721 | 2,387 | 1,384 | 777 | 2,161 |
| Fees income | 3,540 | 14,049 | 17,590 | 3,403 | 11,283 | 14,686 |
| Commission | 455 | 2,202 | 2,657 | 108 | 2,089 | 2,197 |
| Total fee and commission income | 5,661 | 16,972 | 22,634 | 4,895 | 14,149 | 19,044 |
| Fee expense | (1,296) | - | (1,296) | (1,039) | - | (1,039) |
| Fee and commission, net | 4,365 | 16,972 | 21,338 | 3,856 | 14,149 | 18,005 |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**

15. NET IMPAIRMENT ON FINANCIAL ASSETS

| Unaudited 30-Jun-22 US\$ '000 | Unaudited 30-Jun-23 US\$ '000 | | Unaudited 30-Jun-23 RO '000 | Unaudited 30-Jun-22 RO '000 |
|-------------------------------------|-------------------------------------|--|-----------------------------------|-----------------------------------|
| | | Net Impairment charge | | |
| (86) | - | Due from banks | - | (33) |
| 22,392 | 25,273 | Loans & advances and financing | 9,730 | 8,621 |
| (3) | 29 | Investment securities | 11 | (1) |
| 226 | (5) | Other assets | (2) | 87 |
| 1,429 | (2,288) | Loan commitments and financial guarantees | (881) | 550 |
| (15) | - | Loans & advances and financing written off | - | (6) |
| (673) | (153) | Recovery of loans written off earlier | (59) | (259) |
| 23,270 | 22,856 | | 8,799 | 8,959 |
| (5,886) | (5,443) | Less: Interest reserved during the period | (2,096) | (2,266) |
| 17,384 | 17,413 | | 6,703 | 6,693 |

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

16.1 BASIC AND DILUTED EARNINGS PER SHARE

| Audited 31-Dec-22 US\$ '000 | Unaudited 30-Jun-22 US\$ '000 | Unaudited 30-Jun-23 US\$ '000 | | Unaudited 30-Jun-23 RO '000 | Unaudited 30-Jun-22 RO '000 | Audited 31-Dec-22 RO '000 |
|-----------------------------------|-------------------------------------|-------------------------------------|---|-----------------------------------|-----------------------------------|---------------------------------|
| 85,949 | 40,980 | 51,715 | Profit for the period/year | 19,910 | 15,777 | 33,090 |
| (24,157) | (12,045) | (14,314) | Less: AT1 interest paid during the year | (5,511) | (4,637) | (9,300) |
| 61,792 | 28,935 | 37,401 | Profit attributable to equity shareholders | 14,399 | 11,140 | 23,790 |
| 1,949,657 | 1,949,657 | 1,949,657 | Weighted average number of outstanding shares during the period/year (in 000's) | 1,949,657 | 1,949,657 | 1,949,657 |
| 3 | 2 | 2 | Earnings per share (cents /baizas) | 7 | 6 | 12 |

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 31 December 2022 and for the six months period ended 30 June 2023 and comparative periods have been calculated using the weighted average shares outstanding for the current period.

16.2 NET ASSETS VALUE PER SHARE

| Audited 31-Dec-22 US\$ '000 | Unaudited 30-Jun-22 US\$ '000 | Unaudited 30-Jun-23 US\$ '000 | | Unaudited 30-Jun-23 RO '000 | Unaudited 30-Jun-22 RO '000 | Audited 31-Dec-22 RO '000 |
|-----------------------------------|-------------------------------------|-------------------------------------|---|-----------------------------------|-----------------------------------|---------------------------------|
| 810,232 | 772,389 | 806,009 | Net assets | 310,314 | 297,370 | 311,939 |
| 1,949,657 | 1,949,657 | 1,949,657 | Issued and paid up shares (in'000) | 1,949,657 | 1,949,657 | 1,949,657 |
| 42 | 40 | 41 | Net assets value per share (cents/baizas) | 159 | 153 | 160 |

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**
17. 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-23 | | | 30-Jun-22 | | | 31-Dec-22 | | |
|--|---------------------------|---|------------------|---------------------------|---|------------------|---------------------------|---|------------------|
| | 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 | 11,139 | 20,070 | 31,209 | 9,944 | 19,866 | 29,810 | 20,452 | 42,002 | 62,454 |
| Net income from islamic financing and investments | 3,347 | 3,619 | 6,966 | 2,999 | 2,589 | 5,588 | 6,217 | 5,173 | 11,390 |
| Net interest income and income from islamic financing and investments | 14,486 | 23,689 | 38,175 | 12,943 | 22,455 | 35,398 | 26,669 | 47,175 | 73,844 |
| Other operating income | 1,821 | 9,061 | 10,882 | 1,646 | 7,674 | 9,320 | 3,222 | 14,632 | 17,854 |
| Net operating income | 16,307 | 32,750 | 49,057 | 14,589 | 30,129 | 44,718 | 29,891 | 61,807 | 91,698 |
| Segment assets | 732,900 | 2,450,753 | 3,183,653 | 729,760 | 2,316,522 | 3,046,282 | 733,036 | 2,342,430 | 3,075,466 |
| Segment liabilities | 954,022 | 1,770,317 | 2,724,339 | 776,861 | 1,848,051 | 2,624,912 | 843,924 | 1,770,603 | 2,614,527 |
| | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 |
| Net interest income | 28,932 | 52,131 | 81,063 | 25,828 | 51,601 | 77,429 | 53,122 | 109,097 | 162,219 |
| Net income from islamic financing and investments | 8,694 | 9,400 | 18,094 | 7,790 | 6,725 | 14,515 | 16,150 | 13,436 | 29,586 |
| Net interest income and income from islamic financing and investments | 37,626 | 61,531 | 99,157 | 33,618 | 58,326 | 91,944 | 69,272 | 122,533 | 191,805 |
| Other operating income | 4,730 | 23,534 | 28,264 | 4,276 | 19,931 | 24,207 | 8,368 | 38,005 | 46,373 |
| Net operating income | 42,356 | 85,065 | 127,421 | 37,894 | 78,257 | 116,151 | 77,640 | 160,538 | 238,178 |
| Segment assets | 1,903,637 | 6,365,591 | 8,269,228 | 1,895,481 | 6,016,939 | 7,912,420 | 1,903,991 | 6,084,232 | 7,988,223 |
| Segment liabilities | 2,477,980 | 4,598,226 | 7,076,206 | 2,017,821 | 4,800,132 | 6,817,953 | 2,192,009 | 4,598,969 | 6,790,978 |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**

18. 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 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-23 | | | 30-Jun-22 | | | 31-Dec-22 | | |
|---|--------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|
| | 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 | 10,311 | - | 10,311 | 488 | - | 488 | 8,782 | - | 8,782 |
| Investments at FVOCI | 76,228 | 188,914 | 265,142 | 189,949 | 214,361 | 404,310 | 73,382 | 210,999 | 284,381 |
| <i>Derivative financial instruments</i> | | | | | | | | | |
| Interest rate swaps | - | 3,343 | 3,343 | - | 4,120 | 4,120 | - | 2,646 | 2,646 |
| Forward foreign exchange contracts | 718 | - | 718 | 558 | - | 558 | 1,365 | - | 1,365 |
| | 87,257 | 192,257 | 279,514 | 190,994 | 218,482 | 409,476 | 83,529 | 213,645 | 297,174 |
| Financial liabilities | | | | | | | | | |
| <i>Derivative financial instruments</i> | | | | | | | | | |
| Interest rate swaps | - | 925 | 925 | - | 3,392 | 3,392 | - | 1,156 | 1,156 |
| Forward foreign exchange contracts | 3,702 | - | 3,702 | 21 | - | 21 | 2,160 | - | 2,160 |
| | 3,702 | 925 | 4,627 | 21 | 3,392 | 3,413 | 2,160 | 1,156 | 3,316 |
| Financial assets: | | | | | | | | | |
| Investments at FVTPL | 26,782 | - | 26,782 | 1,267 | - | 1,267 | 22,810 | - | 22,810 |
| Investments at FVOCI | 197,995 | 490,685 | 688,680 | 493,374 | 556,782 | 1,050,156 | 190,603 | 548,049 | 738,652 |
| <i>Derivative financial instruments</i> | | | | | | | | | |
| Interest rate swaps | - | 8,682 | 8,682 | - | 10,702 | 10,702 | - | 6,873 | 6,873 |
| Forward foreign exchange contracts | 1,866 | - | 1,866 | 1,448 | - | 1,448 | 3,545 | - | 3,545 |
| | 226,643 | 499,367 | 726,010 | 496,089 | 567,484 | 1,063,573 | 216,958 | 554,922 | 771,880 |
| Financial liabilities | | | | | | | | | |
| <i>Derivative financial instruments</i> | | | | | | | | | |
| Interest rate swaps | - | 2,404 | 2,404 | - | 8,812 | 8,812 | - | 3,003 | 3,003 |
| Forward foreign exchange contracts | 9,615 | - | 9,615 | 54 | - | 54 | 5,611 | - | 5,611 |
| | 9,615 | 2,404 | 12,019 | 54 | 8,812 | 8,866 | 5,611 | 3,003 | 8,614 |

No financial instruments are carried at level 3 fair value as on 30 June 2023 (30 June 2022 and 31 December 2022: 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 2023**

19. 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 2023 | | | |
| Derivatives for hedging: | | | |
| Interest rate swaps | 3,343 | 925 | 133,027 |
| Derivatives: | | | |
| Forward purchase contracts | - | 3,702 | 347,595 |
| Forward sales contracts | 718 | - | 350,583 |
| Derivatives for hedging: | US\$ 000 | US\$ 000 | US\$ 000 |
| Interest rate swaps | 8,682 | 2,404 | 345,526 |
| Derivatives: | | | |
| Forward purchase contracts | - | 9,615 | 902,843 |
| Forward sales contracts | 1,866 | - | 910,605 |
| At 30 June 2022 | RO '000 | RO '000 | RO '000 |
| <i>Derivatives for hedging:</i> | | | |
| Interest rate swaps | 4,120 | 3,392 | 161,167 |
| <i>Derivatives:</i> | | | |
| Forward purchase contracts | - | 21 | 162,967 |
| Forward sales contracts | 558 | - | 2,087 |
| <i>Derivatives for hedging:</i> | US\$ 000 | US\$ 000 | US\$ 000 |
| Interest rate swaps | 10,702 | 8,812 | 418,617 |
| <i>Derivatives:</i> | | | |
| Forward purchase contracts | - | 54 | 423,290 |
| Forward sales contracts | 1,448 | - | 5,421 |
| At 31 December 2022 | RO '000 | RO '000 | RO '000 |
| <i>Derivatives for hedging:</i> | | | |
| Interest rate swaps | 2,646 | 1,156 | 96,058 |
| <i>Derivatives:</i> | | | |
| Forward purchase contracts | 1,192 | 2,070 | 313,672 |
| Forward sales contracts | 173 | 90 | 313,672 |
| <i>Derivatives for hedging:</i> | US\$ 000 | US\$ 000 | US\$ 000 |
| Interest rate swaps | 6,872 | 3,004 | 249,526 |
| <i>Derivatives:</i> | | | |
| Forward purchase contracts | 3,096 | 5,375 | 814,732 |
| Forward sales contracts | 449 | 235 | 814,732 |

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**
20. CONTINGENT LIABILITIES AND COMMITMENTS

| Audited 31-Dec-22 US\$ '000 | Unaudited 30-Jun-22 US\$ '000 | Unaudited 30-Jun-23 US\$ '000 | | Unaudited 30-Jun-23 RO '000 | Unaudited 30-Jun-22 RO '000 | Audited 31-Dec-22 RO '000 |
|-----------------------------------|-------------------------------------|-------------------------------------|----------------------|-----------------------------------|-----------------------------------|---------------------------------|
| 355,055 | 299,797 | 338,728 | Financial guarantees | 130,410 | 115,422 | 136,696 |
| 109,800 | 120,488 | 109,478 | Letters of credit | 42,149 | 46,388 | 42,273 |
| 137,088 | 145,208 | 120,779 | Loan commitments | 46,500 | 55,905 | 52,779 |
| 11,874 | 19,416 | 8,493 | Capital commitments | 3,270 | 7,475 | 4,571 |
| 613,817 | 584,909 | 577,478 | | 222,329 | 225,190 | 236,319 |

21. ASSETS AND LIABILITIES MATURITY

| As at 30 June 2023 | 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 | 963,441 | 296,307 | 520,048 | 1,403,857 | 3,183,653 |
| Liabilities and equity | (717,441) | (815,305) | (665,988) | (984,919) | (3,183,653) |
| Net liquidity gap | 246,000 | (518,998) | (145,940) | 418,938 | - |
| Net liquidity gap in US\$ '000 | 638,963 | (1,348,047) | (379,066) | 1,088,150 | - |

| As at 30 June 2022 | 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 | 1,007,032 | 260,156 | 538,082 | 1,241,012 | 3,046,282 |
| Liabilities and equity | (838,021) | (750,120) | (588,030) | (870,111) | (3,046,282) |
| Net liquidity gap | 169,011 | (489,964) | (49,948) | 370,901 | - |
| Net liquidity gap in US\$ '000 | 438,990 | (1,272,634) | (129,735) | 963,379 | - |

| As at 31 December 2022 | 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 | 880,964 | 269,656 | 540,719 | 1,384,127 | 3,075,466 |
| Liabilities and equity | (762,799) | (775,860) | (593,916) | (942,891) | (3,075,466) |
| Net liquidity gap | 118,165 | (506,204) | (53,197) | 441,235 | - |
| Net liquidity gap in US\$ '000 | 306,924 | (1,314,817) | (138,174) | 1,146,067 | - |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**
22. 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 was reduced by 50% from 2.5% to 1.25%. Accordingly, the minimum capital adequacy ratio requirement for the period is 12.25% including capital conservation buffer of 1.25% (31 December 2021: 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-23 RO '000 | Unaudited 30-Jun-22 RO '000 | Audited 31-Dec-22 RO '000 |
|--|--|-------------------------------------|-----------------------------------|
| Common Equity Tier 1 (CET1) | 276,824 | 268,396 | 275,883 |
| Additional Tier 1 | 149,000 | 124,000 | 149,000 |
| Tier 1 | 425,824 | 392,396 | 424,883 |
| Tier 2 | 11,245 | 16,871 | 14,235 |
| Total regulatory capital | 437,069 | 409,267 | 439,118 |
| Risk weighted assets | | | |
| Credit risk | 2,578,151 | 2,422,380 | 2,406,461 |
| Market risk | 61,606 | 67,870 | 144,878 |
| Operational risk | 157,019 | 141,640 | 141,640 |
| Total risk weighted assets | 2,796,776 | 2,631,890 | 2,692,979 |
| Capital adequacy ratio | | | |
| CET1 capital expressed as a percentage of total risk-weighted assets | 9.90% | 10.20% | 10.24% |
| Total tier I capital expressed as a percentage of total risk-weighted assets | 15.23% | 14.91% | 15.78% |
| Tier II capital expressed as a percentage of total risk-weighted assets | 0.40% | 0.64% | 0.53% |
| Total regulatory capital expressed as a percentage of total risk-weighted assets | 15.63% | 15.55% | 16.31% |
| | Unaudited 30-Jun-23 US\$ '000 | Unaudited 30-Jun-22 US\$ '000 | Audited 31-Dec-22 US\$ '000 |
| Common Equity Tier 1 (CET1) | 719,023 | 697,134 | 716,579 |
| Additional Tier 1 | 387,013 | 322,078 | 387,013 |
| Tier 1 | 1,106,036 | 1,019,212 | 1,103,592 |
| Tier 2 | 29,209 | 43,820 | 36,975 |
| Total regulatory capital | 1,135,245 | 1,063,032 | 1,140,567 |
| Risk weighted assets | | | |
| Credit risk | 6,696,496 | 6,291,897 | 6,250,549 |
| Market risk | 160,016 | 176,285 | 376,308 |
| Operational risk | 407,842 | 367,895 | 367,895 |
| Total risk weighted assets | 7,264,354 | 6,836,077 | 6,994,752 |
| Capital adequacy ratio | | | |
| CET1 capital expressed as a percentage of total risk-weighted assets | 9.90% | 10.20% | 10.24% |
| Total tier I capital expressed as a percentage of total risk-weighted assets | 15.23% | 14.91% | 15.78% |
| Tier II capital expressed as a percentage of total risk-weighted assets | 0.40% | 0.64% | 0.53% |
| Total regulatory capital expressed as a percentage of total risk-weighted assets | 15.63% | 15.55% | 16.31% |