

## **Bank Muscat SAOG**

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020



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#### Chairman's Report - First Half 2020

#### Dear Shareholders,

On behalf of the Board of Directors, I am glad to share with you the results achieved by the Bank during the first half of the year ending 30 June 2020. The financial results for the first half 2020 takes into account the market situation and a conservative approach in credit and other matters. The Bank continues to perform well with prudence and a cautious approach amidst the challenges arising from the pandemic and lower oil prices. We remain hopeful that the global and local situation improves soon so that business conditions are restored to normal levels.

#### **Financial Overview**

The bank posted a net profit of RO 69.56 million for the period compared to RO 93.65 million reported during the same period in 2019, a decrease of 25.7 per cent.

Net Interest Income from Conventional Banking and Income from Islamic Financing stood at RO 160.53 million for the six months period ended 30 June 2020 compared to RO 159.02 million for the same period in 2019, an increase of 0.9 per cent.

Non-interest income was RO 64.69 million for the six months period ended 30 June 2020 as compared to RO 75.05 million for the same period in 2019, a decrease of 13.8 per cent mainly due to subdued business conditions due to COVID-19 related lockdowns in Q2 2020 and waiver of certain fees due to regulatory measures.

Operating expenses for the six months period ended 30 June 2020 was RO 94.03 million as compared to RO 97.11 million for the same period in 2019, a decrease of 3.2 per cent. Net Impairment for credit and other losses for the six months period in 2020 was RO 48.19 million as against RO 24.99 million for the same period in 2019. The increase is mainly on account of precautionary and collective provisions being made on a forward looking basis given the emerging stress in the economic and business conditions as a result of the impact of COVID-19 and the continued pressure on oil prices.

Net Loans and advances including Islamic financing receivables decreased by 1.3 per cent to RO 8,960 million as against RO 9,078 million as at 30 June 2019. The reduction in the loan book is mainly attributable to prepayment of certain large corporate exposures in the last quarter of 2019.

Customer deposits including Islamic Customer deposits increased by 7.3 per cent to RO 8,562 million as against RO 7,978 million as at 30 June 2019.

#### **Strategic Initiatives & Key Developments**

Bank Muscat successfully held its Annual Ordinary General Meeting (AGM) and an Extraordinary General Meeting (EGM) of shareholders on 19 May 2020 using the e-platform developed by Muscat Clearing and Depository Company. During the AGM, the shareholders ratified the pay-out of a 40% dividend for 2019, which included a 35% cash dividend and 5% dividend as bonus shares. At the EGM, shareholders approved the renewal of the Meethaq Sukuk Programme amounting to RO 500 million for a period of 5 years.





The Bank continued to support its customers and partners through well-executed business continuity plans, in addition to adopting health and safety measures announced by the Supreme Committee entrusted with finding mechanisms for dealing with developments resulting from the COVID-19 pandemic. The Bank continually reviews its precautionary and administrative measures in response to changes on the ground.

Excellent adoption of digital-banking channels by our customers has contributed to social distancing and general safety. In particular, Mobile Banking, Internet Banking and our 24/7 contact centre are addressing customer needs promptly and effectively. The improved awareness of digital banking options across customer segments bodes well for better financial inclusion in the future. The Bank continues to also provide crucial assistance to impacted customers through loan deferment options to retail and corporate customers of both conventional banking and Meethaq.

Digital transformation in corporate banking continued through the development and enhancement of e-banking channels and direct integrations through Business to Business Connectivity. The Bank has achieved new partnerships with government and corporate clients and processed over RO 1 billion through the payments and collections through corporate digital channels since the beginning of 2020. The Bank also successfully closed an unsecured bilateral loan facility of US \$150 million with China Development Bank. The Bank's strategic Fintech Investment Programme is now all set to take Fintech investments forward through BM Innovate, a dedicated investment structure.

Meethaq further expanded its operations across Oman by opening its 21st branch at the Bank Muscat Head Office. Also, its cash deposit machine (CDM) network has been upgraded to enable both customers and accountholders at other banks in Oman to use Bank Muscat CDMs for fund deposits to Meethaq accounts.

#### **CSR & Sustainability**

Reinforcing its leadership role in the field of sustainability and support for Omani youth and sports teams, the 15 beneficiaries of this year's Green Sports were announced in June 2020 taking the total number of beneficiaries to 123.

The Tadhamun programme continued for the seventh consecutive year. The programme this year is in partnership with the Ministry of Social Development and Sawa Nabni and is currently distributing essential household appliances to 168 social welfare families across Oman.

Bank Muscat also continued its support to the annual 'Fak Kurba' initiative by the Oman Lawyers Association and helped secure the release of 166 individuals, who could not clear their financial obligations. The Bank also donated automated wheelchairs to the Oman Association for the Disabled.

During the Holy month of Ramadhan, Bank Muscat employees raised funds through a special initiative and partnered with Al Rahma Association for Motherhood & Childhood Care to extend a helping hand to 194 Omani families.





The Bank completed its Al Wathbah Academy training programmes for Omani entrepreneurs in Buraimi and Musandam using state-of-the-art remote learning facilities. The Bank also signed a long-term agreement with Google to train customers on digital skills through the new 'Maharat min Google' programme. Meethaq has completed its Little Investor financial literacy training of over 10,000 students across the sultanate during the 2019-2020 academic year.

The fight against fraud was further heightened during this period with regular anti-fraud awareness activities conducted in partnership with the Royal Oman Police, including a special campaign across different media channels to reach out to people across the country. The Annual Sustainability Report for 2019 was also published recently to communicate the Bank's sustainability performance and impact in the previous year.

#### **Awards and Accolades**

Recognising its excellence in banking, Bank Muscat was listed by Forbes Middle East as one of the Top 100 companies in the Middle East. Other accolades included Oman's Best Bank award from Euromoney, and the Best Trade Finance Bank in Oman award from Global Trade Review magazine. The Bank also won the Channel Innovation Award at the Infosys Finacle Client Innovation Awards.

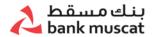
#### In Conclusion

On behalf of the Board of Directors, I take this opportunity to thank our shareholders for their strong confidence in the Bank. The Board of Directors welcomes the measures taken by the Central Bank of Oman and the Capital Market Authority to support the financial market in the Sultanate. We express our sincere gratitude and appreciation to His Majesty Sultan Haitham Bin Tarik for guiding the country forward on its path of peace and development and we pray to the Almighty Allah to bless and protect His Majesty and our beloved country.

We also take this opportunity to wish you Eid Mubarak on the occasion of the blessed Eid Al Adha.

Khalid bin Mustahail Al Mashani





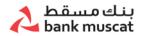
# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		Unaudited	Audited	Unaudited
		30 June 2020	31 December 2019	30 June 2019
100570	Notes	RO' 000	RO' 000	RO' 000
ASSETS				
Cash and balances with Central Banks		920,156	781,755	680,741
Due from banks	3	606,200	869,804	632,770
Loans and advances	4	7,787,959	7,712,193	7,919,238
Islamic financing receivables	4	1,172,088	1,165,848	1,159,152
Investments securities	5	1,642,801	1,444,832	1,290,662
Other assets	6	258,907	236,694	244,335
Property and equipment and software		71,360	79,482	77,902
TOTAL ASSETS		12,459,471	12,290,608	12,004,800
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from banks	7	894,665	1,173,479	1,085,482
Customers' deposits	8	7,536,146	7,011,266	7,039,318
Islamic customers' deposits	8	1,025,688	1,032,400	938,920
Sukuk		90,205	90,205	90,205
Euro medium term notes		387,593	385,410	385,000
Other liabilities	9	527,626	521,864	492,395
Taxation		29,817	47,168	30,926
Subordinated liabilities		19,635	26,180	32,725
		10,511,375	10,287,972	10,094,971
<b>EQUITY</b> Equity attributable to equity holders of parent:				
Share capital	10	324,952	309,478	309,478
Share premium		531,535	531,535	531,535
General reserve		384,078	384,078	370,988
Legal reserve		103,160	103,160	98,247
Revaluation reserve		4,904	4,904	5,770
Subordinated loan reserve		13,090	13,090	13,090
Cash flow hedge reserve		(195)	(34)	57
Cumulative changes in fair value		(8,927)	(372)	(8,170)
Foreign currency translation reserve		(2,525)	(2,296)	(2,440)
Impairment reserve / Reserve for restructured			` ' ,	,
accounts		2,373	2,606	4,173
Retained earnings		465,651	526,487	457,101
Total equity attributable to the equity holders		1,818,096	1,872,636	1,779,829
Perpetual Tier I capital		130,000	130,000	130,000
TOTAL EQUITY		1,948,096	2,002,636	1,909,829
TOTAL LIABILITIES AND EQUITY		12,459,471	12,290,608	12,004,800
Net assets per share (in RO)		0.559	0.605	0.575
Contingent liabilities and commitments	11	2,151,997	2,322,957	2,432,788

The interim condensed consolidated financial statements were approved by the Board of Directors on 28 July 2020 and signed on behalf by:

Chairman	Director	Chief Executive Officer

The attached notes 1 to 27 form part of these interim condensed consolidated financial statements.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

		Unaudit for six months-		Unaud -for three month	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Notes	RO' 000	RO' 000	RO' 000	RO' 000
Interest income	12	221,633	225,605	109,451	114,21
Interest expense	13	(74,254)	(79,790)	(36,765)	(40,381
Net interest income		147,379	145,815	72,686	73,83
Income from Islamic financing / investments	12	34,119	32,196	17,076	16,28
Distribution to depositors	13	(20,965)	(18,988)	(10,461)	(9,848
Net income from Islamic financing		13,154	13,208	6,615	6,43
Net interest income and income from Islamic financing		160,533	159,023	79,301	80,26
Commission and fee income (net)	14	43,258	47,953	17,824	25,15
Other operating income	15	21,432	27,092	12,472	12,32
OPERATING INCOME		225,223	234,068	109,597	117,74
OPERATING EXPENSES					
Other operating expenses		(83,749)	(88,454)	(38,299)	(44,189
Depreciation		(10,283)	(8,654)	(5,132)	(4,337
		(94,032)	(97,108)	(43,431)	(48,526
Net impairment losses on financial assets	16	(48,190)	(24,987)	(22,456)	(11,531
		(142,222)	(122,095)	(65,887)	(60,057
PROFIT BEFORE TAXATION		83,001	111,973	43,710	57,69
Tax expense		(13,438)	(18,328)	(7,394)	(9,849
PROFIT FOR THE PERIOD		69,563	93,645	36,316	47,84
OTHER COMPREHENSIVE (EXPENSE) INCOME					
Net Other comprehensive income (expense) to be reclassified to profit or loss in subsequent periods:					
Translation of net investments in foreign operations		(229)	(372)	93	(309
Change in fair value through other comprehensive income (FVOCI) debt		(1,466)	2,882	6,523	89
Change in fair value of cash flow hedge		(161)	(380)	7	(273
onange in rail value of cast now heage		(1,856)	2,130	6,623	30
Net Other comprehensive income (expense) not to be reclassified to profit or loss in subsequent periods					
Change in fair value of FVOCI equity		(10,345)	(6,964)	2,288	(686
OTHER COMPREHENCIVE (EVRENCE) INCOME FOR THE RE	DIOD	(10,345)	(6,964)	2,288	(686
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PE TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	KIUD	(12,201) 57,362	(4,834) 88,811	8,911 45,227	47,46
Total comprehensive income for the period attributable to		. ,			
Equity holders of Parent Company		57,362	88,811	45,227	47,46
Drafit attributable to					
Profit attributable to Equity holders of Parent Company		69,563	93,645	36,316	47,84
		2.1000	10,5.3	23,0.0	,31
Earnings per share (in RO) - Basic and diluted	17	0.020	0.028	0.011	0.014
Items in other comprehensive income are disclosed net of tax.  The attached notes 1 to 27 form part of these interim condensed	consolida	ated financial stateme	ents.		



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

Attributable to equity holders of parent

(Unaudited)	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Subordinated Ioan reserve RO' 000	Cash flow hedge reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO'000	Impairment reserve / Reserve for restructured accounts RO' 000	Retained earnings RO' 000	Total RO' 000	Perpetual Tier I Capital RO' 000	Total RO' 000
Balance at 1 January 2020	309,478	531,535	384,078	103,160	4,904	13,090	(34)	(372)	(2,296)	2,606	526,487	1,872,636	130,000	2,002,636
Profit for the period	-	-	-	-	-	-	-	-	-	-	69,563	69,563	-	69,563
Other comprehensive (expense) income	-	-	-	-	-	-	(161)	(11,811)	(229)	-	-	(12,201)	-	(12,201)
Total comprehensive income Transfer within equity upon disposal of	-	-	-	-	-	-	(161)	(11,811)	(229)	-	69,563	57,362	-	57,362
FVOCI equity instruments	-	-	-	-	-	-	-	3,256	-	-	(3,256)	-	-	-
Dividends paid (note 10 )	-	-	-	-	-	-	-	-	-	-	(108,317)	(108,317)	-	(108,317)
Issue of bonus shares (note 10 )	15,474	-	-	-	-	-	-	-	-	-	(15,474)	-	-	-
Transfer from restructured reserve to retained earnings	-	-	-	-	-	-	-	-	-	(233)	233	-	-	-
Interest paid on perpetual Tier 1 capital	-	-	-	-	-	-	-	-	-	-	(3,585)	(3,585)	-	(3,585)
Balance as at 30 June 2020	324,952	531,535	384,078	103,160	4,904	13,090	(195)	(8,927)	(2,525)	2,373	465,651	1,818,096	130,000	1,948,096

Attributable to equity holders of parent

(Unaudited)	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Subordinated loan reserve RO' 000	Cash flow hedge reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO' 000	Impairment reserve / Reserve for restructured accounts RO' 000	Retained earnings RO'000	Total RO' 000	Perpetual Tier I Capital RO' 000	Total RO' 000
Balance at 1 January 2019	294,741	531,535	370,988	98,247	5,770	13,090	437	(5,023)	(2,068)	4,623	485,402	1,797,742	130,000	1,927,742
Profit for the period	-	-	-	-	-	-	-	-	-	-	93,645	93,645	-	93,645
Other comprehensive income (expense)	_	-	-	-	-	-	(380)	(4,082)	(372)	-	-	(4,834)	-	(4,834)
Total comprehensive income (expense) Transfer within equity upon disposal of FVOCI	-	-	-	-	-	-	(380)	(4,082)	(372)	-	93,645	88,811	-	88,811
equity instruments	-	-	-	-	-	-	-	935	-	-	(935)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-		(103,159)	(103,159)	-	(103,159)
Issue of bonus shares Transfer from restructured reserve to retained earnings	14,737	-	-	-	-	-	-	-	-	- (450)	(14,737) 450	-	-	-
Interest paid on perpetual Tier 1 capital		-	-	-	•	-	-	-	-	(+30)	(3,565)	(3,565)	-	(3,565)
Balance as at 30 June 2019	309,478	531,535	370,988	98,247	5,770	13,090	57	(8,170)	(2,440)	4,173	457,101	1,779,829	130,000	1,909,829

Appropriations to legal reserve and sub-ordinated loan reserve are made on an annual basis.

The attached notes 1 to 27 form part of these interim condensed consolidated financial statements.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

	Unaudited 30 June 2020 RO' 000	Unaudited 30 June 2019 RO' 000
OPERATING ACTIVITIES	πο σσσ	NO 000
Profit for the period before taxation	83,001	111,973
Adjustments for :	·	
Depreciation	10,283	8,654
Net impairment on financial assets	48,190	24,987
Profit on sale of Property and equipment	(9)	-
Profit / (loss) on sale of investments	1,923	(2,228)
Dividend income	(4,237)	(4,700)
Operating profit before working capital changes	139,151	138,686
Due from banks	50,695	(218,994)
Loans and advances	(119,594)	(114,066)
Islamic financing receivables	(10,360)	(50,774)
Other assets	(21,556)	(17,481)
Deposits from banks	300,155	424,133
Customers' deposits	524,874	(465,111)
Islamic customer deposits	(6,712)	(19,546)
Other liabilities	12,457	47,007
Cash from / (used in) operating activities	869,110	(276,146)
Income taxes paid	(31,661)	(30,909)
Net cash from / (used in) operating activities	837,449	(307,055)
INVESTING ACTIVTIES		
Dividend income	4,237	4,700
Net movement in investments	(79,516)	(2,592)
Net movement in property and equipment	(2,152)	(4,599)
Net cash used in investing activities	(77,431)	(2,491)
FINANCING ACTIVITIES		
Dividends paid	(108,317)	(103,159)
Interest on Perpetual Tier I capital	(3,585)	(3,565)
Sukuk issuance		45,597
Subordinated loan paid	(6,545)	(6,545)
Net cash used in financing activities	(118,447)	(67,672)
NET CHANGE IN CASH AND CASH EQUIVALENTS	641,571	(377,218)
Cash and cash equivalents at 1 January	982,185	1,426,843
CASH AND CASH EQUIVALENTS AT 30 June	1,623,756	1,049,625
Cash and cash equivalent comprises of the following:		
Cash and balances with Central Banks	919,656	680,241
Treasury bills	594,925	515,885
Due from banks	401,057	201,861
Deposits from banks	(291,882)	(348,362)
	1,623,756	1,049,625
The attached notes 1 to 27 form part of these interim condensed conso	olidated financial statemen	ts.



#### 1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Muscat SAOG (the Bank or the Parent Company) is a joint stock company incorporated in the Sultanate of Oman and is engaged in commercial and investment banking activities through a network of 170 branches (30 June 2019: 169 branches) within the Sultanate of Oman and one branch each in Riyadh, Kingdom of Saudi Arabia and Kuwait. The Bank has representative offices in Dubai, United Arab Emirates, Singapore and Tehran, Iran. The Bank has a subsidiary in Riyadh, Kingdom of Saudi Arabia. The Bank operates in Oman under a banking license issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank has its primary listing on the Muscat Securities Market.

The Bank and its subsidiary (together, the Group) operate in 6 countries (2019 - 6 countries) and employed 3,821 employees as of 30 June 2020 (30 June 2019: 3,778 employees).

During 2013, the Parent Company inaugurated "Meethaq Islamic banking window" ("Meethaq") in the Sultanate of Oman to carry out banking and other financial activities in accordance with Islamic Shari'a rules and regulations. Meethaq operates under an Islamic banking license granted by the CBO on 13 January 2013. Meethaq's Shari'a Supervisory Board is entrusted to ensure Meethaq's adherence to Shari'a rules and principles in its transactions and activities. The principal activities of Meethaq include: accepting customer deposits; providing Shari'a compliant financing based on various Shari'a compliant modes; undertaking Shari'a compliant investment activities permitted under the CBO's Regulated Islamic Banking Services as defined in the licensing framework. Meethaq has 21 branches (June 2019 - 20 branches) in the Sultanate of Oman.

#### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months period ended 30 June 2020 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the Capital Market Authority (CMA).

The unaudited interim condensed financial statements have been prepared on the historical cost basis, modified to include the revaluation of freehold land and buildings and the measurement at fair value of derivative financial instruments, FVOCI investment securities and investment recorded at fair value through profit or loss. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The Islamic window operation of the Parent Company; "Meethaq" uses Financial Accounting Standards ("FAS"), issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), for preparation and reporting of its financial information. Meethaq's financial information is included in the results of the Bank, after adjusting financial reporting differences, if any, between AAOIFI and IFRS.

The functional currency of the Bank is the Rial Omani (RO). These unaudited interim condensed consolidated financial statements of the Bank are prepared in Rial Omani, rounded to the nearest thousands, except as indicated.

The unaudited interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the group's annual consolidated financial statements as at 31 December 2019. In addition, results for the period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year 2020.



#### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.2 NEW STANDARDS, IMPLEMENTATIONS AND AMENDMENTS IN EXISTING STANDARDS

For the period ended 30 June 2020, the Group has adopted the following new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2020. The adoption of below standards and interpretations has not resulted in any major changes to the Group's accounting policies and has not affected the amounts reported for the prior periods.

- Definition of Material Amendments to IAS 1 and IAS 8
- Definition of a Business Amendments to IFRS 3
- Amendments to References to Conceptual Framework in IFRS Standards

The above amendments are effective from 1 January 2020

#### 2.3 Interest Rate Benchmark Reform transition (IBOR transition)

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. This is expected to impact current risk management strategy and possibly accounting for certain financial instruments. There is currently uncertainty around the timing and precise nature of these changes. While the Management and the Board has been appraised of the ensuing changes and the probable verticals of the bank that would be impacted, given the very nascent stage of the IBOR identification for the respective currencies and the on-set of the covid 19, not much progress appears to have been made by banks in general. Further, even the Banking regulators in respective countries yet to confirm the new IBOR that would be used in place of LIBOR. However, the bank is closely monitoring the developments and shall initiate measures as and when there is clarity on the same.

Impairment of financial assets.

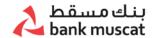
Duting 2019, the Group had early adopted the amendment to IFRS 9 and IFRS 7 issued in September 2019. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The Group's management has assessed the situation and concluded that as of 30 June 2020, the Group continues to fulfil the requirements of above relief and no trigger event has taken place which might cause cessation of above relief. The relief provided by the amendments that apply to the Group are:

- When considering the 'highly probable' requirement, the Group has assumed that the USD LIBOR interest rate on which hedged debts are based does not change as a result of reform.
- In assessing the hedge effectiveness on a forward-looking basis, it has assumed that USD LIBOR interest rate on which the cash flows of the hedged asset / liability and the interest rate swap that hedges it are based are not altered by the reform.
- It will not discontinue hedge accounting during the period of uncertainty solely because the retrospective effectiveness falls outside the required 80–125% range.
- It has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Disclosures related to the derivatives held for hedging purposes and it's carrying amount, notional amount and notional amounts by term to maturity are given in Note 19.

The Group has Loans and Advances and Due from Banks of RO 2,062 million (Dec'19 - RO 2,031 million), Due to Banks of RO 752 million (Dec'19 - RO 953 million), Subordinated liabilities of RO 20 million (Dec'19 - RO 26 million), Interest rate swaps of RO 212 million (Dec'19 - RO 229 million) which are exposed to the impact of LIBOR transition.

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## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

#### Coronavirus (COVID-19) outbreak and its impact on the Bank

The World Health Organization officially declared COVID-19 as a global pandemic on 11 March 2020. From the latter half of Q1-2020, the economic environment and business landscape of the bank have witnessed rapid changes as a result of the unprecedented outbreak of Coronavirus pandemic coupled with the significant depression in the global crude oil prices. Tightening of market conditions, lockdowns, restrictions on trade and movement of people have caused significant disruptions to businesses and economic activities globally and across industries & sectors.

Governments and regulatory authorities across the globe have implemented several measures to contain the impact of the spread of the virus. In line with this, the Central Bank of Oman (CBO), also instituted a host of measures to protect the stability of country's economy. As listed below these measures are intended to provide temporary relief to businesses and households and also provide additional lending and liquidity capacity to banks, through relief of existing capital and liquidity buffers.

#### A. Temporary relief provided to customers:

- The CBO announced a Deferral Package (DP) to provide temporary relief from the payments of installment/interest/profit on all outstanding loans, except credit cards, for a maximum period of 6 months for all affected corporates, SMEs, Finance and leasing companies and individuals domiciled in Oman. Such deferments should also not attract any additional interest/cost.
- For Omani manpower in private sector, whose salaries were reduced, banks should defer the monthly installments for a 3 months and also waive interest/profit for such period.
- Banks to renew all the revolving short term loans provided to FLCs for a period of 6 months starting April 2020, unless a lesser requirement is agreed. Renewals should not attract higher interest rates.
- Banks to waive charges levied on point of sale (POS) transactions
- Local banks to consider reducing existing fees for various banking services and avoid introducing new fees in 2020
- Availing of DP should not automatically result in deterioration of risk classification or movement from a 12-month ECL to a lifetime ECL measurement. Further, it cannot also be construed as a restructuring event.
- Risk classification of all loans linked to Government projects (directly or indirectly) also to be deferred for the extended period of 12 months.
- The Capital Market authority also granted extension of time to listed companies for submission of financials for quarter ended March 31, 2020 by June 30, 2020 and that should not adversely impact the risk classification of customers.

#### B. Liquidity and capital stimulus for Banks:

- Capital Conservation Buffer lowered by 50 percent from 2.5% to 1.25%.
- Minimum capital adequacy allowed at 12.25% during prevailing economic conditions
- "Prudential filter" introduced for considering stage 1&2 ECL as part of tier 2 capital.
- Lending ratio increased by 5% from 87.5% to 92.5%. The additional lending scope to be utilized for lending to productive sector including healthcare services.
- Additional liquidity support at concessional rates by reducing interest rates on Repo operations, discounting of Government Treasury Bills, FX swap and rediscounting of a Bills of Exchange and Promissory notes.
- Also, tenor for Repo and Swap facilities was increased from existing to a maximum period of 3 & 6 months respectively.



#### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

# 2.4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS (continued)

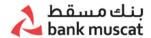
# IASB Guidance and additional guidelines issued by the CBO on application of IFRS 9 in the context of COVID-19

Estimation of the overall impact of COVID-19 on banks Expected Credit Losses (ECL), is subject to very high levels of uncertainty as the pandemic is evolving very rapidly and little reasonable and supportable forward-looking information is available. This necessitates that the ECL processes adopted by the banks, remain robust and effective; as, any underestimation on this account would lead to under coverage while at the same time, significant overstatement of ECL could lead to unnecessary tightening in credit conditions which may not have a salutary economic impact. Accordingly, the IASB and prominent prudential and securities regulators have published guidance on the regulatory and accounting implications of the pandemic. Though it does not provide any mechanistic approach on determining SICR nor does it dictate the exact basis of determining forward looking scenarios to measure ECL, it aims to provide a framework for appropriate determination of the impact of economic uncertainty on ECL while also remaining compliant with IFRS.

IASB's guidance note issued on March 27, 2020, advises that both the assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are required to be based on reasonable and supportable information that is available without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken. Relief measures, such as payment holidays, will not automatically lead to loans being measured on the basis of lifetime losses and considerable judgment will be needed to measure ECLs at this time. When it is not possible to reflect such information in the models, the Board expects post-model overlays or adjustments to be considered. This is broadly consistent with guidelines issued by other regulators including those issued by the CBO.

#### Additional IFRS 9 guidelines issued by the CBO stipulates:

- CBO's measures related to deferment of loan repayment by a borrower may not on its own trigger the counting of 30 DPD or more backstop used to determine SICR or the 90 days past due backstop used to determine default. However, banks / FLC's shall continue to assess the obligor's likelihood of payment of amount due after the deferment period, and in case of SICR or credit impairment and if the same is not of a temporary nature, accordingly fairly recognize such risk.
- The deferment of repayment by borrowers may indicate short term liquidity or cash flow problems and hence the deferment of loan repayment may not be a sole deciding factor for SICR or impairment until and unless banks and FLC's might have experienced other supportable evidence on having deterioration in the credit quality of the obligor.
- Similarly, any covenant breach having particular relevance to COVID-19 e.g. delay in submission of audited financial accounts or any other breach, may be considered differently than normal breaches related to consistent borrower specific risk factors leading to borrowers default. This sort of breach may not necessarily and automatically trigger SICR resulting in moving accounts to Stage-2.
- Banks and FLCs must develop estimates based on the best available supportable information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions consideration should be given both to the effects of COVID-19 coupled with oil prices & significant CBO policy measures being undertaken.



#### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

# 2.4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS (continued)

• Nevertheless, any changes made to ECL estimate the impact of COVID-19 distress will be subject to very high levels of uncertainty as reasonable and supportable forward-looking information may not be currently available to substantiate those changes. As such, the macro-economic forecasts applied by the banks and FLCs in their IFRS-9/ECL models couldn't be recalibrated upfront with pre-mature effects of COVID-19 and CBO support measures, besides the individual and collective LGD's may get impacted due to COVID-19 effect on market prices of collateral and guarantees. However, Banks and FLCs are expected to use post model adjustments and management overlays by applying multiple macroeconomic scenarios with careful application of probability weights to each of such scenarios while computing ECL on portfolio basis as prudence.

#### Impact of COVID-19 on the Bank:

The IFRS9 Steering Committee of the Bank is primarily responsible for overseeing the Bank's adequacy on ECL. It closely monitors the impact of COVID-19 by an ongoing review of the portfolio including a review by name of all significant exposures in the directly impacted industries and sectors. SME customers are evaluated based on the stability of the business owner and business and any short term cash flow mismatches are supported by the Bank. Bank's retail portfolio largely comprises of nationals employed in government sector and hence this segment is expected to largely remain insulated from job cuts and salary reductions. Retail lending to private sector employees which forms a small proportion of banks total retail portfolio is expected to witness some impact in the short to medium term due to the pandemic and hence could lead to potential credit issues. The bank is fully committed to help its customers through this turbulent period as directed by the CBO. The Bank continued to support its customers and partners through well-executed business continuity plans, in addition to adopting health and safety measures announced by the Supreme Committee entrusted with finding mechanisms for dealing with developments resulting from the COVID-19 pandemic. The Bank continually reviews its precautionary and administrative measures in response to changes on the ground. Currently, most contract modifications as a result of COVID-19 are not observed to be substantial in nature.

#### A. Impact on ECL:

The Loss Given Default ("LGD") and Exposure at Default ("EAD") estimates are critically assessed by the bank at each reporting dates. This assessment considers several aspects such as the cash situation of clients, the value of collateral and the enforceability of guarantees. All real estate collaterals are revalued by bank's approved valuers at frequencies stated in Banks IFRS 9 policy and all other tangible collaterals like securities, cash, and shares are marked-to-market on a monthly basis.

For portfolio staging, the Bank continues to be guided by the Board approved policies and relief measures issued by the CBO on evaluation of SICR or default and excludes deferment period relating to the COVID-19 outbreak from the counting of days past due. Since, the temporary moratorium only provides a relief from short term liquidity constrains to borrowers, it is not the sole deciding factor for evaluation of SICR. The above approach also aligns with the IASB requirements.

Given the ever evolving nature of the current health and economic crisis, the banks management is of the view that the forward looking macro-economic data and the PD term structures published by the economists and rating agencies during 2020 is yet to reasonably reflect the impact of the economic disruption caused by COVID-19 and also to fully factor in the financial intervention by the relevant state authorities.

Hence, based on regulatory and IASB's guidance, as a measure of prudence, wherever necessary, the bank has applied a combination of both, post model adjustments and management judgment overlays, while computing its ECL with an intention to collectively cover the

- Customer, industry, sector specific evolving credit risk and appetite,
- Impact of recent external ratings and resultant change in the PD term structures,
- Impact of COVID-19 & depressed oil prices available in latest forward looking information and
- mitigating impacts of government support measures to the extent possible

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#### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

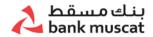
# 2.4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS (continued)

As on the reporting date the collective provision held by the bank through management overlays amounts to 4.0% of total impairment. This is in addition to the existing ECL provision considered on a conservative practices to mitigate any unforeseen impacts in the portfolio. The Bank will continue to reassess and appropriately adjust such overlays on a regular basis throughout the affected period.

#### B. Impact on the Capital Adequacy:

Besides, the bank has also applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL. The impact of above filter on the bank's regulatory capital is 18 bps.

Although above measures are not exhaustive and may not fully counteract the impact of COVID-19 in the short run, they will mitigate the long-term negative impact of the pandemic. In response to this crisis, the Bank continues to monitor and respond to all liquidity and funding requirements. As at the reporting date the liquidity, funding and capital position of the Bank remains strong and is well placed to absorb the impact of the current disruption.



### 3. DUE FROM BANKS

	Unaudited 30 June 2020 RO' 000	Audited 31 December RO' 000	Unaudited 30 June 2019 RO' 000
At amortised cost / FVOCI			_
Nostro balances	82,731	116,123	133,770
Inter-bank placements	401,063	608,322	362,625
Loans to banks	89,084	97,370	89,474
	572,878	821,815	585,869
Less: impairment loss allowance	(4,770)	(766)	(975)
	568,108	821,049	584,894
At FVTPL			
Inter-bank placements	38,092	48,755	47,876
	606,200	869,804	632,770

## 4. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES

Loans and advances - Conventional banking

	Unaudited	Audited 31 December	Unaudited
	30 June 2020	2019	30 June 2019
	RO' 000	RO' 000	RO' 000
Corporate loans	3,992,290	3,834,616	4,127,803
Overdrafts and credit cards	313,015	312,069	313,343
Loans against trust receipts	508,499	513,853	551,175
Bills purchased and discounted	99,870	93,311	79,331
Personal and housing loans	3,213,422	3,247,046	3,178,513
	8,127,096	8,000,895	8,250,165
Less: Impairment loss allowance	(339,137)	(288,702)	(330,927)
	7,787,959	7,712,193	7,919,238

## Islamic financing receivables

	Unaudited	Audited	Unaudited
	30 June 2020 RO' 000	31 December 2019 RO' 000	30 June 2019 RO' 000
Housing finance	486,199	490,041	489,413
Corporate finance	674,909	657,438	649,867
Consumer finance	40,913	44,453	43,682
	1,202,021	1,191,932	1,182,962
Less: Impairment loss allowance	(29,933)	(26,084)	(23,810)
	1,172,088	1,165,848	1,159,152



#### 4. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES (continued)

### Movement in impairment loss is analysed below:

	Unaudited	Audited	Unaudited
	30 June 2020	2019	30 June 2019
	RO' 000	RO' 000	RO' 000
1 January	314,786	329,111	329,111
Impairment for credit losses	63,789	67,829	42,568
Interest reserved during the period	8,569	15,842	6,567
Recoveries from impairment for credit losses	(15,464)	(35,946)	(16,468)
Reserve Interest recovered during the period	(2,086)	(4,914)	(2,063)
Written off during the period	(803)	(2,423)	(5,916)
Transfer from / (to) Memorandum portfolio	363	(54,700)	957
Foreign currency translation difference	(85)	8	-
Other movements	1	(21)	(19)
At 30 June / 31 December	369,070	314,786	354,737

At 30 June 2020, loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 340.1 million (31 December 2019: RO 298.5 million, 30 June 2019: RO 291.5 million). Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the statement of comprehensive income.

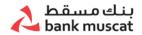
### The maturity profile of loans and advances / Islamic financing receivables was as follows

	Unaudited 30 June 2020	Audited 31 December 2019	Unaudited 30 June 2019
	<i>RO' 000</i>	RO' 000	RO' 000
On demand or within 1 month	1,503,015	1,133,743	1,455,062
1 to 3 months	528,416	743,944	556,895
3 to 12 months	708,806	803,042	811,680
1 to 5 years	2,159,831	2,172,906	2,226,743
More than 5 years	4,059,979	4,024,406	4,028,010
	8,960,047	8,878,041	9,078,390

#### 5. INVESTMENT SECURITIES

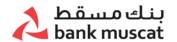
	Unaudited	Audited	Unaudited
	30 June 2020 RO' 000	2019 RO' 000	30 June 2019 RO' 000
Equity investments:			
Designated as at FVTPL	24,240	25,934	32,140
Designated as at FVOCI	73,024	84,724	89,227
Equity investments	97,264	110,658	121,367
Debt investments:			
Designated as at FVTPL	-	-	-
Measured at FVOCI	62,242	60,789	62,243
Measured at amortised cost	1,485,825	1,274,998	1,108,030
Gross Debt investments	1,548,067	1,335,787	1,170,273
Less: Impairment loss allowance	(2,530)	(1,613)	(978)
Net debt investments	1,545,537	1,334,174	1,169,295
Total investment securities	1,642,801	1,444,832	1,290,662

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5. INVESTMENT SECURITIES (continued)

As at 30 June 2020			Amorticad	
(unaudited)	FVTPL	FVOCI	Amortised Cost	Total
(anadatea)	RO' 000	RO' 000	RO' 000	RO' 000
Quoted equities:	NO 000	NO 000	NO 000	NO 000
Foreign securities	7,414	56,719	-	64,133
Other services sector	-	5,882	-	5,882
Unit funds	6,919	-	-	6,919
Financial services sector	550	5,861	-	6,411
Industrial sector	14,883	1,853 70,315	<u> </u>	1,853 85,198
Unquoted equities:	1 1/000	70,010		50/176
Financial services sector	-	-	-	-
Foreign securities	952	1,054	-	2,006
Local securities	8,014	1,655	-	9,669
Unit funds	391		-	391
For the boundary of	9,357	2,709	-	12,066
Equity investments	24,240	73,024	-	97,264
Less: Impairment loss allowance Net equity investments	24,240	73,024		97,264
1 7	24,240	73,024	<u> </u>	71,204
Quoted debt:				
Treasury bills	•	-	701 F40	701 540
Government bonds	-	- 22 000	781,549	781,549
Foreign bonds Local bonds		33,809	5,003 91,469	38,812
Local bollus		23,496 57,305	878,021	114,965 935,326
Unquoted debt:		37,303	070,021	733,320
Treasury bills	-	-	594,925	594,925
Local bonds	-	4,937	12,879	17,816
2000. 201100		4,937	607,804	612,741
Gross debt investments	-	62,242	1,485,825	1,548,067
Less: Impairment loss allowance	-	(1,847)	(683)	(2,530)
Net debt investments		60,395	1,485,142	1,545,537
NOT GOD! IIIVOSIIIIONIS		00,070	1,400,142	.,0.0,00,
Net investments	24,240	133,419	1,485,142	1,642,801
	24,240		1,485,142	
Net investments As at 31 December 2019	24,240 FVTPL			
Net investments	FVTPL	133,419	1,485,142 <i>Amortised</i>	1,642,801 <i>Total</i>
Net investments As at 31 December 2019		133,419 FVOCI	1,485,142  Amortised Cost	1,642,801
Net investments As at 31 December 2019 (Audited)	FVTPL	133,419 FVOCI	1,485,142  Amortised Cost	1,642,801 <i>Total</i>
Net investments As at 31 December 2019 (Audited)  Quoted equities:	FVTPL RO' 000	133,419 FVOCI RO' 000	1,485,142  Amortised Cost	1,642,801 <i>Total</i> <i>RO' 000</i>
Net investments  As at 31 December 2019 (Audited)  Quoted equities: Foreign securities	FVTPL RO' 000 7,518	133,419 FVOCI RO' 000 65,761 7,616	1,485,142  Amortised Cost	70tal RO'000 73,279 7,616 9,014
Net investments  As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector	FVTPL RO' 000 7,518	FVOCI RO' 000 65,761 7,616	1,485,142  Amortised Cost	7,642,801 Total RO'000 73,279 7,616 9,014 7,059
Net investments  As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds	FVTPL RO' 000 7,518 - 9,014 608	FVOCI RO' 000 65,761 7,616 - 6,451 1,369	1,485,142  Amortised  Cost  RO' 000	7,642,801 Total RO'000 73,279 7,616 9,014 7,059 1,369
As at 31 December 2019 (Audited)  Quoted equities: Foreign securities Other services sector Unit funds Financial services sector Industrial sector	FVTPL RO' 000 7,518 - 9,014	FVOCI RO' 000 65,761 7,616 - 6,451	1,485,142  Amortised  Cost  RO' 000	7,642,801 Total RO'000 73,279 7,616 9,014 7,059
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:	FVTPL RO' 000 7,518 - 9,014 608 - 17,140	FVOCI RO' 000 65,761 7,616 - 6,451 1,369 81,197	1,485,142  Amortised Cost RO' 000	7,642,801 70tal RO'000 73,279 7,616 9,014 7,059 1,369 98,337
Net investments  As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities	FVTPL RO' 000 7,518 - 9,014 608 - 17,140	FVOCI RO' 000 65,761 7,616 - 6,451 1,369 81,197	1,485,142  Amortised  Cost  RO' 000	7,642,801 70tal RO'000 73,279 7,616 9,014 7,059 1,369 98,337 2,542
Net investments  As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities	FVTPL RO' 000 7,518 - 9,014 608 - 17,140 870 7,533	FVOCI RO' 000 65,761 7,616 - 6,451 1,369 81,197	1,485,142  Amortised  Cost  RO' 000	73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388
Net investments  As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities	FVTPL RO' 000 7,518 - 9,014 608 - 17,140 870 7,533 391	FVOCI RO' 000 65,761 7,616 - 6,451 1,369 81,197 1,672 1,855	1,485,142  Amortised Cost RO' 000	7,642,801 701al RO'000 73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388 391
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794	FVOCI RO' 000 65,761 7,616 - 6,451 1,369 81,197 1,672 1,855 - 3,527	1,485,142  Amortised  Cost  RO' 000	73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388 391 12,321
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio	FVTPL RO' 000 7,518 - 9,014 608 - 17,140 870 7,533 391	FVOCI RO' 000 65,761 7,616 - 6,451 1,369 81,197 1,672 1,855	1,485,142  Amortised  Cost  RO' 000	7,642,801 701al RO'000 73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388 391
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794	FVOCI RO' 000 65,761 7,616 - 6,451 1,369 81,197 1,672 1,855 - 3,527 84,724	1,485,142  Amortised  Cost  RO' 000	70tal RO' 000 73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388 391 12,321 110,658
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:    Government bonds	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794	## 133,419  FVOCI  RO' 000  65,761  7,616  - 6,451  1,369  81,197  1,672  1,855  - 3,527  84,724	1,485,142  Amortised Cost RO'000	70tal RO' 000 73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388 391 12,321 110,658
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:    Government bonds    Foreign bonds	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794	## 133,419    FVOCI	1,485,142  Amortised Cost RO'000	70tal RO' 000 73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388 391 12,321 110,658
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:    Government bonds	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794 25,934	## 133,419    FVOCI	1,485,142  Amortised Cost RO'000	70tal RO' 000 73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388 391 12,321 110,658 702,652 37,823 113,918
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:    Government bonds    Foreign bonds    Local bonds	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794	## 133,419    FVOCI	1,485,142  Amortised Cost RO'000	70tal RO' 000 73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388 391 12,321 110,658
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:    Government bonds    Foreign bonds    Local bonds  Unquoted debt:	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794 25,934	## 133,419    FVOCI	1,485,142  Amortised Cost RO'000	70tal RO' 000 73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388 391 12,321 110,658 702,652 37,823 113,918 854,393
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:    Government bonds    Foreign bonds    Local bonds  Unquoted debt:    Treasury bills	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794 25,934	## 133,419    FVOCI	1,485,142  Amortised Cost RO'000	70tal RO' 000 73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388 391 12,321 110,658 702,652 37,823 113,918 854,393 461,819
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:    Government bonds    Foreign bonds    Local bonds  Unquoted debt:	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794 25,934	## 133,419    FVOCI	1,485,142  Amortised Cost RO'000	70tal RO' 000 73,279 7,616 9,014 7,059 1,369 98,337 2,542 9,388 391 12,321 110,658 702,652 37,823 113,918 854,393 461,819 19,575
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:    Government bonds    Foreign bonds    Local bonds  Unquoted debt:    Treasury bills    Local bonds	### FVTPL RO' 000  7,518  - 9,014  608  - 17,140   870  7,533  391  8,794  25,934	## 133,419    FVOCI	1,485,142  Amortised Cost RO' 000	7,642,801  **Total RO' 000  73,279 7,616 9,014 7,059 1,369 98,337  2,542 9,388 391 12,321 110,658  702,652 37,823 113,918 854,393  461,819 19,575 481,394
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:    Government bonds    Foreign bonds    Local bonds  Unquoted debt:    Treasury bills    Local bonds  Gross debt portfolio	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794 25,934	## 133,419  ## 1900  ## 133,419  ## 17,616	1,485,142  Amortised Cost RO'000	7,642,801  701al RO'000  73,279 7,616 9,014 7,059 1,369 98,337  2,542 9,388 391 12,321 110,658  702,652 37,823 113,918 854,393  461,819 19,575 481,394 1,335,787
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:    Government bonds    Foreign bonds    Local bonds  Unquoted debt:    Treasury bills    Local bonds  Gross debt portfolio Less: Impairment loss allowance	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794 25,934	## 133,419    FVOCI	1,485,142  Amortised Cost RO' 000	7,642,801  701al  RO'000  73,279 7,616 9,014 7,059 1,369 98,337  2,542 9,388 391 12,321 110,658  702,652 37,823 113,918 854,393  461,819 19,575 481,394 1,335,787 (1,613)
As at 31 December 2019 (Audited)  Quoted equities:    Foreign securities    Other services sector    Unit funds    Financial services sector    Industrial sector  Unquoted equities:    Foreign securities    Local securities    Unit funds  Equities portfolio  Quoted debt:    Government bonds    Foreign bonds    Local bonds  Unquoted debt:    Treasury bills    Local bonds  Gross debt portfolio	FVTPL RO' 000  7,518 - 9,014 608 - 17,140  870 7,533 391 8,794 25,934	## 133,419  ## 1900  ## 133,419  ## 17,616	1,485,142  Amortised Cost RO'000	7,642,801  701al RO'000  73,279 7,616 9,014 7,059 1,369 98,337  2,542 9,388 391 12,321 110,658  702,652 37,823 113,918 854,393  461,819 19,575 481,394 1,335,787



## 5. INVESTMENT SECURITIES (continued)

The movement in impairment of debt investments is summarised as follows

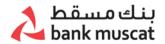
	Unaudited	Unaudited Audited 31 December	
	30 June 2020 RO' 000	2019 RO' 000	30 June 2019 RO' 000
At 1 January	1,613	1,113	1,113
Provided /(reversed) during the period / year	919	500	(134)
Other movements	(2)		(1)
At 30 June / 31 December	2,530	1,613	978

### 6. OTHER ASSETS

	Unaudited	Audited	Unaudited
	30 June 2020 RO' 000	31 December 2019 RO' 000	30 June 2019 Unaudited
Acceptances	120,174	123,462	132,671
Less: impairment loss allowance	(130)	(145)	(107)
Net Acceptances	120,044	123,317	132,564
Other debtors and prepaid expenses	38,267	46,373	39,229
Positive fair value of derivatives	39,089	22,274	25,968
Accrued interest	49,442	36,302	36,752
Deferred tax asset	9,136	6,023	7,800
Others	2,929	2,405	2,022
	258,907	236,694	244,335

### 7. DEPOSITS FROM BANKS

	Unaudited	Audited	Unaudited
		31 December	
	30 June 2020	2019	30 June 2019
	RO' 000	RO' 000	RO' 000
Inter bank borrowings	843,863	886,086	801,060
Vostro balances	43,102	77,568	74,597
Other money market deposits	7,700	209,825	209,825
	894,665	1,173,479	1,085,482



## 8. CUSTOMERS' DEPOSITS

## Conventional customers' deposits

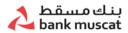
	Unaudited Audited 31 December		Unaudited	
	30 June 2020 RO' 000	2019 RO' 000	30 June 2019 RO' 000	
Deposit accounts	2,407,487	2,393,235	2,433,215	
Savings accounts	2,931,875	2,580,493	2,542,068	
Current accounts	1,868,281	1,665,699	1,776,335	
Call accounts	272,934	314,200	224,423	
Margin accounts	55,569	57,639	63,277	
	7,536,146	7,011,266	7,039,318	

## Islamic customers' deposits

	Unaudited 30 June 2020 RO' 000	Audited 31 December 2019 RO' 000	Unaudited 30 June 2019 RO' 000
Deposit accounts	577,634	628,242	555,998
Deposit accounts	311,034	020,242	333,770
Savings accounts	244,396	215,638	178,399
Current accounts	103,732	111,478	127,361
Call accounts	19,552	37	573
Margin accounts	80,374	77,005	76,589
	1,025,688	1,032,400	938,920

The maturity profile of customer's deposits (including Islamic customers' deposits) was as follows:

	Unaudited	Audited 31 December	Unaudited
	30 June 2020 RO' 000	2019 RO' 000	30 June 2019 RO' 000
On demand or within 1 month	810,438	704,616	633,770
1 to 3 months	718,763	844,144	658,505
3 to 12 months	1,983,768	1,672,796	2,028,775
1 to 5 years	3,484,605	3,409,315	3,254,666
More than 5 years	1,564,260	1,412,795	1,402,522
	8,561,834	8,043,666	7,978,238



#### 9. OTHER LIABILITIES

	Unaudited	Audited	Unaudited
		31 December	
	30 June 2020	2019	30 June 2019
	RO' 000	RO'000	RO'000
Other liabilities and accrued expenses	157,888	163,314	131,834
Acceptances	120,175	123,462	132,672
Impairment on financial guarantees	50,533	54,142	31,588
Impairment on undrawn commitments and			
unutilised limits	9,422	10,745	7,865
Accrued interest	93,482	84,493	92,987
Lease liabilities	48,690	50,405	52,355
Negative fair value of derivatives	30,804	18,675	25,707
Unearned discount and interest	8,349	8,756	10,708
Employee end of service benefits	7,417	7,006	6,679
Deferred tax liability	866	866	
	527,626	521,864	492,395

#### 10. SHARE CAPITAL AND DIVIDEND

The authorised share capital of the Parent Company is 3,500,000,000 shares of RO 0.100 each (2019: 3,500,000,000 of RO 0.100 each). At 30 June 2020, 3,249,522,539 shares of RO 0.100 each (31 December 2019: 3,094,783,371 shares of RO 0.100 each) have been issued and fully paid. The Bank's shares are listed in Muscat Securities Market, Bahrain stock exchange and London stock exchange. Listing in London stock exchange is through Global Depository Receipts issued by the Bank.

On 8 March 2020 invitation was sent to the shareholders of the bank for Annual General Meeting (AGM) and Extraordinary General Meeting (EGM). Pursuant to the instructions issued by the Supreme Committee that considers the mechanism for dealing with developments resulting from the spread of Coronavirus (COVID-19) to suspend all rallies, events including conferences in the Sultanate and circular no. (3/2020) dated 18 March 2020 issued by the Capital Market Authority (CMA) in this regard, it had been decided to postpone the EGM and AGM of the shareholders' of the Bank scheduled for 24 March, 2020 until further notice.

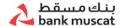
CMA vide its circular no. (4/2020) dated 18 March 2020 approved the distribution of dividends for the listed companies. Accordingly, the Group has distributed the dividends to its shareholders (record date being 24 March 2020) as recommended in the agenda and as approved by the regulators. The same was ratified in the Annual General Meeting held on 19 May 2020. Thus shareholders received cash dividend of RO 0.035 per ordinary share of RO 0.100 each aggregating to RO 108.317 million on Bank's existing share capital. In addition, they received bonus shares in the proportion of 5 bonus share for every 100 ordinary shares aggregating to 154,739,168 shares of RO 0.100 each amounting to RO 15.474 million.

Shareholders of the Bank who hold 10% or more of the bank's shares are given below:

	Unaudited	Audited 31 December	Unaudited
	30 June 2020	2019	30 June 2019
	RO' 000	RO' 000	RO'000
Number of shares held			
Royal Court Affairs	768,005,073	731,160,223	731,160,223
Dubai Financial Group LLC	382,355,421	364,148,020	364,148,020
% of shareholding			
Royal Court Affairs	23.63%	23.63%	23.63%
Dubai Financial Group LLC	11.77%	11.77%	11.77%

#### 11. CONTINGENT LIABILITIES

	Unaudited	Audited	Unaudited
	30 June 2020	2019	30 June 2019
	RO' 000	RO'000	RO'000
CONTINGENT LIABILITIES			
Letters of credit	365,872	343,773	351,966
Guarantees	1,786,125	1,979,184	2,080,822
	2,151,997	2,322,957	2,432,788
COMMITMENTS			
Irrevocable credit commitments	358,777	323,180	512,090
Purchase of property and equipment	967	1,031	1,823
Partly paid shares	2,905	3,844	1,773
	362,649	328,055	515,686



#### 12. INTEREST INCOME / INCOME ON ISLAMIC FINANCING / INVESTMENT

	Unaudited -for six months	Unaudited period ended-	Unaudited -for three mo	Unaudited onths ended-
	30 June 2020 RO' 000	30 June 2019 RO' 000	30 June 2020 RO' 000	30 June 2019 RO' 000
Loans and advances	194,389	201,070	96,386	101,624
Due from banks	7,651	10,133	2,982	4,876
Investments	19,593	14,402	10,083	7,714
	221,633	225,605	109,451	114,214
Islamic financing receivable	30,915	30,410	15,455	15,377
Islamic due from banks	503	481	262	247
Islamic investment	2,701	1,305	1,359	656
	34,119	32,196	17,076	16,280
	255,752	257,801	126,527	130,494

#### 13. INTEREST EXPENSE / DISTRIBUTION TO DEPOSITORS

	Unaudited Unaudited -for six months period ended-		Unaudited -for three mo	Unaudited onths ended-
	30 June 2020 RO' 000	30 June 2019 RO' 000	30 June 2020 RO' 000	30 June 2019 RO' 000
Customer's deposits	56,247	56,744	28,517	28,783
Subordinated liabilities	672	1,039	297	483
Bank borrowings	8,901	13,205	3,910	6,715
Euro medium term notes	8,434	8,802	4,041	4,400
	74,254	79,790	36,765	40,381
Islamic customers deposits	15,836	13,945	8,123	7,190
Islamic bank borrowings	2,710	3,601	1,128	1,794
Profit paid on Sukuk	2,419	1,442	1,210	864
	20,965	18,988	10,461	9,848
	95,219	98,778	47,226	50,229

Interest expense on customer deposits include accruals towards prize schemes of RO 5.5 million (30 June 2019: RO 5 million) offered by the bank to its saving deposit holders. Profit distribution on Islamic customers deposits include accruals towards prize schemes of RO 0.5 million (30 June 2019: RO 0.5 million) to its saving deposit holders.

#### 14. COMMISSION AND FEES INCOME (NET)

The commission and fees shown in the interim condensed consolidated statement of comprehensive income is net off commission and fees paid of RO 696 thousands (30 June 2019: RO 534 thousands).

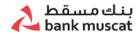
### 15. OTHER OPERATING INCOME

	Unaudited Unaudited -for six months period ended-		Unaudited -for three mo	Unaudited onths ended-
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RO' 000	RO' 000	RO'000	RO' 000
Foreign exchange	17,785	18,371	8,544	8,988
Profit on investment securities	(1,923)	2,228	1,079	40
Dividend income	4,237	4,700	2,348	2,452
Other income	1,333	1,793	501	847
	21,432	27,092	12,472	12,327

Dividend income recognised on FVOCI investments during the period ended 30 June 2020 is RO 3,575 thousands. (30 June 2019: RO 3,809 thousands), out of which RO 61 thousands (30 June 2019: RO 34 thousands) pertains to investments sold during this period.

#### 16. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS				
	Unaudited	Unaudited	Unaudited	Unaudited
	-for slx months	period ended-	-for three mo	onths ended-
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RO' 000	RO' 000	RO' 000	RO' 000
(Impairment) / reversal of impairment for credit losses:				
- Due from banks	(4,004)	(327)	(3,618)	21
- Loans and advances to customers	(63,789)	(42,568)	(28,689)	(20,590)
- Financial guarantees	3,353	(1,768)	1,617	274
- Acceptances	14	(16)	86	(44)
- Loan commitments / unutilised limits	1,314	2,355	665	458
- Investments	(919)	134	(134)	111
	(64,031)	(42,190)	(30,073)	(19,770)
Recoveries from impairment for credit losses	15,464	16,468	7,472	7,850
Recoveries from loans written off earlier	377	735	145	389
	15,841	17,203	7,617	8,239
	(48,190)	(24,987)	(22,456)	(11,531)



#### 17. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders (after adjusting for interest on perpetual tier I capital) for the period by the weighted average number of ordinary shares oustanding during the period as follows:

	Unaudited Unaudited -for six months period ended-		Unaudited -for three months	Unaudited s period ended-	
	30 June 2020	30 June 2019 RO' 000	30 June 2020 RO' 000	30 June 2019 RO' 000	
Profit for the period	69,563	93,645	36,316	47,841	
Less: Interest on Perpetual Tier I capital	(3,555)	(3,546)	(1,777)	(1,783)	
Profit attributable to ordinary shareholders of parent company for basic and diluted earnings per share (RO 000's)	66,008	90,099	34,539	46,058	
Weighted average number of shares in issue during the period (000's)	3,249,523	3,249,523	3,249,523	3,249,523	
Basic and diluted earnings per share (RO)	0.020	0.028	0.011	0.014	

There are no instruments that are dilutive in nature, hence the basic and diluted earnings per share are same for both the periods.

#### 18. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group conducts transactions with certain of its directors, shareholders, senior management and companies in which they have a significant interest. The terms of these transactions are approved by the Bank's Board and Management. The balances in respect of related parties included in the interim condensed consolidated statement of financial position as at the reporting date are as follows:

	Unaudited	Audited 31 December	Unaudited
	30 June 2020 RO' 000	2019 RO' 000	30 June 2019 RO' 000
a) Directors and senior management			
Loans and advances	861	2,763	2,968
Current, deposit and other accounts	1,709	974	1,551
b) Major shareholders and others			
Loans and advances (gross)	74,382	77,348	68,419
Current, deposit and other accounts	20,394	27,235	46,904
Customers' liabilities under documentary credits, guarantees and other commitments	7,081	7,685	7,295

The income and expenses in respect of related parties included in the interim condensed consolidated financial statements are as follows:

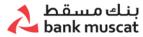
	Unaudited -for six month	Unaudited Unaudited -for six months period ended-		Unaudited s period ended-
	30 June 2020 RO' 000	30 June 2019 RO' 000	30 June 2020 RO' 000	30 June 2019 RO' 000
a) Directors and senior management				
Interest income	18	68	2	33
Interest expenditure	24	26	11	12
b) Major shareholders and others				
Interest income	2,049	1,577	980	755
Interest expenditure	357	664	258	258

Loans, advances or receivables and non-funded exposure due from related parties or holders of 10 percent or more of Banks shares, or their family members, less all provisions and write-offs, is further analysed as follows:

	Unaudited	Unaudited
	30 June 2020	30 June 2019
	RO' 000	RO' 000
Royal Court Affairs	39,436	42,011
HE Sheikh Mustahail Ahmed Al Mashani Group Companies	42,166	43,172
Others	722	2,613
	82,324	87,796

Items of expense which were paid to related parties or holders of 10 percent or more of the bank's shares, or their family members, during the period can be further analysed as follows:

can be further analysed as follows:	Unaudited -for six month	Unaudited s period ended-	Unaudited -for three month	Unaudited s period ended-
	30 June 2020 RO' 000	30 June 2019 RO' 000	30 June 2020 RO' 000	30 June 2019 RO' 000
Royal Court Affairs	140	342	127	112
HE Sheikh Mustahail Al Mashani Group Companies	217	322	131	146
Others	24	26	11	12
	381	690	269	270



## 18. RELATED PARTY TRANSACTIONS (continued)

Directors fees and remuneration are as follows

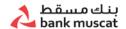
	Unaudited	Unaudited
		30 June
	30 June 2020	2019
	RO'000	RO' 000
Remuneration	61	64
Sitting fees	39	36
	100	100

### 19. DERIVATIVES

As at 30 June 2020	Positive	Negative	Notional	Notional amounts by term to maturity		
(unaudited)	fair value	fair value	total	0-3 months	4-12 months	> 12 months
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Fair value hedge	2,593	-	192,500	-	192,500	-
Cash flow hedge	-	230	19,635	-	-	19,635
Interest rate swaps	22,611	22,611	808,349	-	197,254	611,095
Commodities purchase contracts	2,767	2,524	73,476	57,820	13,972	1,684
Commodities sale contracts	2,714	2,629	73,476	57,820	13,972	1,684
Forward purchase contracts	507	1,646	2,086,751	1,045,018	975,586	66,147
Forward sales contracts	7,897	1,164	2,075,544	1,041,749	968,828	64,967
Total	39,089	30,804	5,329,731	2,202,407	2,362,112	765,212

As at 31 December 2019	Positive	Negative	Notional	Notiona	l amounts by tel	erm to maturity
(audited)	fair value RO' 000	fair value RO' 000	total RO' 000	0-3 months RO' 000	4-12 months RO' 000	> 12 months RO' 000
Fair value hedge	410	16	202,333	9,833	-	192,500
Cash flow hedge	-	40	26,180	-	-	26,180
Interest rate swaps	9,907	9,773	840,428	-	198,749	641,679
Commodities purchase contracts	4,695	1,605	119,427	70,261	46,598	2,568
Commodities sale contracts	1,694	4,569	119,426	70,260	46,598	2,568
Forward purchase contracts	848	1,144	1,749,425	945,799	633,216	170,410
Forward sales contracts	4,720	1,528	1,742,584	943,912	630,008	168,664
Total	22,274	18,675	4,799,803	2,040,065	1,555,169	1,204,569

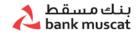
As at 30 June 2019	Positive	Negative Notional Notional amoun		amounts by ter	unts by term to maturity		
(unaudited)	fair value RO' 000	fair value RO' 000	total RO' 000	0-3 months RO' 000	4-12 months RO'000	> 12 months RO' 000	
	NO 000	NO 000	NO 000	NO 000	NO 000	NO OOO	
Fair value hedge	-	91	12,969	-	-	12,969	
Cash flow hedge	67	-	32,725	-	-	32,725	
Interest rate swaps	12,411	11,936	717,747	-	154,100	563,647	
Commodities purchase contracts	701	7,043	101,951	73,345	27,701	905	
Commodities sale contracts	7,183	664	101,951	73,345	27,701	905	
Forward purchase contracts	281	2,261	1,940,372	1,190,098	647,486	102,788	
Forward sales contracts	5,325	3,712	1,934,922	1,190,521	642,600	101,801	
Total	25,968	25,707	4,842,637	2,527,309	1,499,588	815,740	



#### 20. SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive committee that are used to make strategic decisions. The committee considers the business from both a geographic and product perspective. Geographically, management considers the performance of whole bank in Oman and International markets. The Oman market is further segregated into corporate, consumer, wholesale and Islamic banking as all of these business lines are located in Oman. Segment information in respect of geographical locations is as follows:

Unaudited	Unaudited	Unaudited		Unaudited	Unaudited 30 June	Unaudited
30 June 2019	30 June 2019	30 June 2019		30 June 2020	2020	30 June 2020
RO' 000	RO' 000	RO' 000		RO' 000	RO' 000	RO' 000
Total	International	Oman		Oman	International	Total
225,605	10,405	215,200	Interest income	215,734	5,899	221,633
(79,790)	(5,767)	(74,023)	Interest expense	(70,834)	(3,420)	(74,254)
32,196	-	32,196	Income from Islamic financing	34,119	-	34,119
(18,988)	-	(18,988)	Distribution to depositors	(20,965)	-	(20,965)
47,953	2,184	45,769	Commission and fee income (net)	41,553	1,705	43,258
27,092	1,496	25,596	Other operating income	18,645	2,787	21,432
234,068	8,318	225,750		218,252	6,971	225,223
			Operating expenses			
(88,454)	(3,606)	(86,712)	Other operating expenses	(81,315)	(2,434)	(83,749)
(8,654)	(149)	(6,641)	Depreciation	(9,976)	(307)	(10,283)
(97,108)	(3,755)	(93,353)		(91,291)	(2,741)	(94,032)
			Net impairment losses on financial			
(24,987)	(7,946)	(17,041)	assets	(38,823)	(9,367)	(48,190)
(18,328)	(17)	(18,311)	Tax expense	(13,231)	(207)	(13,438)
(140,423)	(11,718)	(128,705)		(143,345)	(12,315)	(155,660)
93,645	(3,400)	97,045	Profit (Loss) for the period	74,907	(5,344)	69,563
			Other information			
12,004,800	494,421	11,510,379	Total assets	12,022,883	436,588	12,459,471
10,094,971	458,409	9,636,562	Total liabilities	10,112,910	398,465	10,511,375
	100/107	.,000,002			270/100	12,311,070



Segment liabilities

#### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

## SEGMENTAL INFORMATION (continued)

The Group reports the segment information by the following business segments Corporate, Consumer, Wholesale, International and Islamic banking. The following table shows the distribution of the Group's operating income, net profit and total assets by business segments:

30 June 2020	Corporate banking RO '000	Consumer banking RO '000	Wholesale banking RO '000	International banking* RO '000	Subtotal RO '000	Islamic banking RO '000	Total
(unaudited) Segment revenue	RO 000	RU UUU	RO UUU	RU UUU	RO DOD	RO DOD	RO '000
Net interest income	63,453	73,030	8,417	2,479	147,379	_	147,379
Net income from Islamic financing	-	-	-	-	-	13,154	13,154
Commission, fees and other income	9,927	29,408	19,067	4,504	62,906	1,784	64,690
Operating income	73,380	102,438	27,484	6,983	210,285	14,938	225,223
operating inserins	,	102,100		0,700	210,200	,,,,,	
Segment costs							
Operating expenses	(16,383)	(58,656)	(9,132)	(3,585)	(87,756)	(6,276)	(94,032)
Impairment (net)	(18,157)	(10,556)	(5,357)	(10,200)	(44,270)	(3,920)	(48,190)
Tax expense	(5,847)	(5,027)	(1,604)	(207)	(12,685)	(753)	(13,438)
	(40,387)	(74,239)	(16,093)	(13,992)	(144,711)	(10,949)	(155,660)
Segment profit for the period	32,993	28,199	11,391	(7,009)	65,574	3,989	69,563
Segment assets	4,480,045	3,365,854	2,684,992	454,538	10,985,429	1,474,042	12,459,471
Segment liabilities	3,667,547	4,377,694	774,674	398,465	9,218,380	1,292,995	10,511,375
	Cornerate	Concumor	Wholosolo	International		Islamic	
30 June 2019	Corporate banking	Consumer banking	Wholesale banking	International banking*	Subtotal	banking	Total
(unaudited)	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Segment revenue	NO 000	NO 000	NO 000	NO CCC	NO 000	NO COC	NO JUU
Net interest income	63,185	65,430	12,563	4,637	145,815	-	145,815
Net income from Islamic financing	-	-	-	-	-	13,208	13,208
Commission, fees and other income	9,399	35,275	24,874	3,701	73,249	1,796	75,045
Operating income	72,584	100,705	37,437	8,338	219,064	15,004	234,068
Segment costs							
Operating expenses	(15,379)	(61,015)	(8,975)	(4,735)	(90,104)	(7,004)	(97,108)
Impairment (net)	(9,070)	(3,408)	(497)	(9,946)	(22,921)	(2,066)	(24,987)
Tax expense	(7,761)	(5,843)	(4,112)	278	(17,438)	(890)	(18,328)
	(32,210)	(70,266)	(13,584)	(14,403)	(130,463)	(9,960)	(140,423)
Segment profit for the period	40,374	30,439	23,853	(6,065)	88,601	5,044	93,645
Segment assets	4,493,995	3,353,814	2,244,634	526,059	10,618,502	1,386,298	12,004,800

3,455,403 Note: \* International banking includes overseas operations and cost allocations from Oman operations

3,899,846

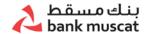
1,016,631

458,409

8,830,289

1,264,682

10,094,971



#### 21. ASSET LIABILITY MATURITY

The asset and liability maturity profile was as follows:

	Unaudited	Audited 31 December	Unaudited
	30 June 2020	2019	30 June 2019
ASSETS	RO' 000	RO' 000	RO' 000
	0.707.004	0.004.007	0.500.405
On demand or within 1 month	2,737,924	2,391,226	2,582,105
1 to 3 months	1,237,209	1,328,151	965,830
3 to 12 months	1,150,846	1,326,741	1,225,453
1 to 5 years	2,755,617	2,619,501	2,789,220
More than 5 years	4,577,875	4,624,989	4,442,192
	12,459,471	12,290,608	12,004,800
LIABILITIES AND EQUITY			
On demand or within 1 month	1,272,649	1,379,021	1,184,754
1 to 3 months	913,019	1,377,739	1,136,452
3 to 12 months	2,427,431	1,955,433	2,489,732
1 to 5 years	4,334,698	4,162,054	3,880,376
More than 5 years	3,511,674	3,416,361	3,313,486
	12,459,471	12,290,608	12,004,800
MISMATCH			
On demand or within 1 month	1,465,275	1,012,205	1,397,351
1 to 3 months	324,190	(49,588)	(170,622)
3 to 12 months	(1,276,585)	(628,692)	(1,264,279)
1 to 5 years	(1,579,081)	(1,542,553)	(1,091,156)
More than 5 years	1,066,201	1,208,628	1,128,706

Mismatch represents difference between assets and liabilities for each maturity band.

#### 22. CAPITAL ADEQUACY

The following table sets out the capital adequacy position of the Group as per Basel III regulatory requirements

	Unaudited	Audited 31 December	Unaudited
	30 June 2020 RO' 000	2019 RO' 000	30 June 2019 RO' 000
Common Equity Tier I capital	1,699,323	1,707,995	1,634,490
Perpetual Tier I capital	130,000	130,000	130,000
Tier I capital	1,829,323	1,837,995	1,764,490
Tier II capital	99,252	91,485	108,589
Total regulatory capital	1,928,575	1,929,480	1,873,079
Total risk weighted assets	9,759,477	9,784,845	9,929,963
Of which: Credit risk weighted assets	8,769,824	8,796,525	8,986,696
Of which: Market risk weighted assets	152,874	151,541	143,740
Of which: Operational risk weighted assets	836,779	836,779	799,528
Capital ratios :			
Common Equity Tier 1	17.41%	17.46%	16.46%
Tier 1	18.74%	18.78%	17.77%
Total capital	19.76%	19.72%	18.86%



#### 22. CAPITAL ADEQUACY (continued)

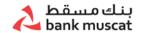
The following table sets out the capital adequacy position of the Group as per Basel II guidelines issued by Central Bank of Oman for monitoring purposes:

	Unaudited	Audited 31 December	Unaudited
	30 June 2020 RO' 000	2019 RO' 000	30 June 2019 RO' 000
Tier I capital	1,841,070	1,855,033	1,779,099
Tier II capital	92,741	83,609	107,725
Total regulatory capital	1,933,811	1,938,642	1,886,824
Total risk weighted assets	9,759,477	9,784,845	9,929,963
Of which: Credit risk weighted assets	8,769,824	8,796,525	8,986,696
Of which: Market risk weighted assets	152,874	151,541	143,740
Of which: Operational risk weighted assets	836,779	836,779	799,528
Capital ratios :			
Tier 1	18.86%	18.96%	17.92%
Total capital	19.81%	19.81%	19.00%

#### 23. LIQUIDITY

The following table sets out the Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of the Group:

	Unaudited	Audited	Unaudited
		31 December	
30	June 2020	2019	30 June 2019
	RO' 000	RO' 000	RO' 000
LCR	385%	215%	303%
NSFR	125%	117%	113%



#### 24. LEVERAGE RATIO

Under its Basel III guidelines, Basel Committee for Banking Supervision (BCBS) introduced a non-risk sensitive Leverage Ratio to address excessive build-up of on and off-balance sheet exposures, which was the root cause of the Financial/Credit crisis of 2008. The ratio is calculated by dividing the Tier I capital of the bank by the Bank's total assets (sum of all on and off-balance sheet assets). Being a DSIB the Bank is required to maintain a higher Leverage ratio of 5% considering the systemic importance.

Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure as at the reporting dates:

	Table 1. Summary comparison or accounting assets vs reverage ratio exposure me	Unaudited 30 June 2020 RO' 000	Audited 31 December 2019 RO' 000	Unaudited 30 June 2019 RO' 000
1	Total consolidated assets as per published financial statements	12,459,471	12,290,608	12,004,800
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(23,493)	(34,077)	(29,218)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	
4	Adjustments for derivative financial instruments	114,027	102,986	96,509
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-	-
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent	1,430,353	1,404,205	1,545,139
	amounts of off-balance sheet exposures)			
7	Other adjustments Leverage ratio exposure	(8,270) 13,972,088	(5,157) 13,758,565	(7,800) 13,609,430
O		13,772,000	13,736,303	13,009,430
	Table 2: Leverage ratio common disclosure template	Unaudited	Audited	Unaudited
		Sinadaniod	31 December	Sinadarisa
		30 June 2020	2019	30 June 2019
		RO' 000	RO' 000	RO' 000
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	12,459,471	12,290,608	12,004,800
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(31,763)	(39,234)	(37,018)
3	<b>Total on-balance sheet exposures</b> (excluding derivatives and SFTs) (sum of lines 1 and 2)	12,427,708	12,251,374	11,967,782
	Derivative Exposures  Replacement cost associated with all derivatives transactions (i.e., net of eligible			
4	cash variation margin)	49,093	25,881	28,088
5	Add-on amounts for PFE associated with all derivatives transactions	64,934	77,105	68,421
6	Gross-up for derivatives collateral provided where deducted from the balance	_	_	<u>-</u>
7	sheet assets pursuant to the operative accounting framework (Deductions of receivables assets for cash variation margin provided in	-	-	-
8	derivatives transactions) (Exempted CCP leg of client-cleared trade exposures)			
9	Adjusted effective notional amount of written credit derivatives	-	-	-
	(Adjusted effective notional offsets and add-on deductions for written credit			
10	derivatives)	-	-	-
11	Total derivative exposures (sum of lines 4 to 10)	114,027	102,986	96,509
	Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-
14	CCR exposure for SFT assets	-	-	-
15	Agent transaction exposures	-	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-	-
	Other Off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	2,757,314	2,773,589	3,111,946
18 19	(Adjustments for conversion to credit equivalent amounts)  Off-balance sheet items (sum of lines 17 and 18)	(1,326,961) 1,430,353	(1,369,384) 1,404,205	(1,566,807) 1,545,139
17	Capital and total exposures	1,430,333	1,704,203	1,040,107
20	Tier 1 capital	1,829,323	1,837,995	1,764,490
21	Total exposures (sum of lines 3, 11, 16 and 19) Leverage Ratio	13,972,088	13,758,565	13,609,430
22	Basel III leverage ratio (%)	13.1%	13.4%	13.0%



#### 25. CREDIT QUALITY ANALYSIS

#### 25.1 Financial instruments by stages

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9:

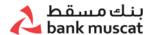
RO'000

30 June 2020	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	284,747	-	-	284,747
Due from Banks	473,219	99,659	-	572,878
Loans and advances / Islamic financing receivables	7,198,606	1,790,442	340,069	9,329,117
Investment Securities at FVOCI	57,352	4,890	-	62,242
Investment Securities at amortized Cost	1,485,825	-	-	1,485,825
Total funded gross exposure	9,499,749	1,894,991	340,069	11,734,809
Financial guarantee contracts	1,326,025	749,242	76,730	2,151,997
Acceptances	58,170	61,911	93	120,174
Loan Commitment/Unutilised limits	1,398,066	579,482	-	1,977,548
Total non-funded gross exposure	2,782,261	1,390,635	76,823	4,249,719
Total gross exposure	12,282,010	3,285,626	416,892	15,984,528
Impairment				
Central Bank balances	-	-	-	
Due from Banks	633	4,137	-	4,770
Loans and advances / Islamic financing receivables	19,205	111,490	238,375	369,070
Investment Securities at FVOCI	196	1,651	-	1,847
Investment Securities at amortized Cost	683	-	-	683
Total funded impairment	20,717	117,278	238,375	376,370
Financial guarantee contracts	2,164	10,347	38,022	50,533
Acceptances	43	87	-	130
Loan Commitment/Unutilised limits	3,565	5,857	-	9,422
Total non-funded impairment	5,772	16,291	38,022	60,085
Total impairment	26,489	133,569	276,397	436,455
Net exposure				
Central Bank balances	284,747	-	-	284,747
Due from Banks	472,586	95,522	-	568,108
Loans and advances / Islamic financing receivables	7,179,401	1,678,952	101,694	8,960,047
Investment Securities at FVOCI	57,156	3,239		60,395
Investment Securities at amortized Cost	1,485,142	-	-	1,485,142
Total funded net exposure	9,479,032	1,777,713	101,694	11,358,439
Financial guarantee contracts	1,323,861	738,895	38,708	2,101,464
Acceptances	58,127	61,824	93	120,044
Loan Commitment/Unutilised limits	1,394,501	573,625	-	1,968,126
Total net non-funded exposure	2,776,489	1,374,344	38,801	4,189,634
Total net exposure	12,255,521	3,152,057	140,495	15,548,073

Stage 1: 76.8% of gross exposure in scope for IFRS 9 is in Stage 1 and has not experienced a significant increase in credit risk since origination.

Stage 2: 20.6% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination. These assets are the key driver of increase in impairment allowances under IFRS9.

Stage 3: 2.6% of gross exposure is in Stage 3 which is credit impaired including defaulted assets and some forbearance assets.



## 25. CREDIT QUALITY ANALYSIS (continued)

#### 25.1 Financial instruments by stages

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9:

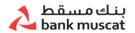
RO'000

31 December 2019	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	134,179	-	-	134,179
Due from Banks	821,428	387	-	821,815
Loans and advances / Islamic financing receivables	7,017,732	1,876,548	298,547	9,192,827
Investment Securities at FVOCI	52,486	8,303		60,789
Investment Securities at amortized Cost	1,266,969	8,029	-	1,274,998
Total funded gross exposure	9,292,794	1,893,267	298,547	11,484,608
Financial guarantee contracts	1,414,473	859,937	48,547	2,322,957
Acceptances	77,457	45,984	21	123,462
Loan Commitment/Unutilised limits	1,347,493	698,640	-	2,046,133
Total non-funded gross exposure	2,839,423	1,604,561	48,568	4,492,552
Total gross exposure	12,132,217	3,497,828	347,115	15,977,160
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	751	15	-	766
Loans and advances / Islamic financing receivables	18,203	77,751	218,832	314,786
Investment Securities at FVOCI	140	1,171		1,311
Investment Securities at amortized Cost	267	35		302
Total funded impairment	19,361	78,972	218,832	317,165
Financial guarantee contracts	1,947	17,533	34,662	54,142
Acceptances	45	100		145
Loan Commitment/Unutilised limits	2,460	8,285	-	10,745
Total non-funded impairment	4,452	25,918	34,662	65,032
Total impairment	23,813	104,890	253,494	382,197
Net exposure				
Central Bank balances	134,179	-	-	134,179
Due from Banks	820,677	372		821,049
Loans and advances / Islamic financing receivables	6,999,529	1,798,797	79,715	8,878,041
Investment Securities at FVOCI	52,346	7,132	-	59,478
Investment Securities at amortized Cost	1,266,702	7,994	-	1,274,696
Total funded net exposure	9,273,433	1,814,295	79,715	11,167,443
Financial guarantee contracts	1,412,526	842,404	13,885	2,268,815
Acceptances	77,412	45,884	21	123,317
Loan Commitment/Unutilised limits	1,345,033	690,355	-	2,035,388
Total net non-funded exposure	2,834,971	1,578,643	13,906	4,427,520
Total net exposure	12,108,404	3,392,938	93,621	15,594,963

Stage 1: 75.9% of gross exposure in scope for IFRS 9 is in Stage 1 and has not experienced a significant increase in credit risk since origination.

Stage 2: 21.9% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination. These assets are the key driver of increase in impairment allowances under IFRS9.

Stage 3: 2.2% of gross exposure is in Stage 3 which is credit impaired including defaulted assets and some forbearance assets.



### 25. CREDIT QUALITY ANALYSIS (continued)

## 25.2 Movements in gross exposure of financial assets

An analysis of changes in the gross exposure is set out in the following tables

RO'000

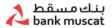
Loans and advances / Islamic financing receivables at amortised cost	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	7,017,732	1,876,548	298,547	9,192,827
Transfer between stages:				
- Transfer to Stage 1	114,608	(111,805)	(2,803)	-
- Transfer to Stage 2	(734,590)	740,710	(6,120)	-
- Transfer to Stage 3	(38,014)	(20,915)	58,929	-
Re-measurement of outstanding	(241,634)	(75,652)	10,269	(307,017
Financial assets originated during the period	2,836,280	-	-	2,836,280
Financial assets matured during the period	(1,755,776)	(618,444)	(3,652)	(2,377,872
Write off	-	-	(15,464)	(15,464
Transfer from / (to) Memorandum portfolio	-	-	363	363
Balance at 30 June	7,198,606	1,790,442	340,069	9,329,117
Debt Investment securities at amortised cost / FVOCI	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	1,319,455	16,332	-	1,335,787
Transfer between stages (Opening Book)				
- Transfer to Stage 1	10,801	(10,801)	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
Re-measurement of outstanding	(2,161)	(641)	-	(2,802
	692,625	-	-	692,625
Financial assets originated during the period	072,023			
Financial assets originated during the period Financial assets matured during the period	(477,543)	-	-	(477,543

An analysis of changes in the impairment loss allowances is set out in the following tables

RO'000

Loans and advances / Islamic financing receivables at amortised cost	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	18,203	77,751	218,832	314,786
Transfer between stages:				
- Transfer to Stage 1	3,994	(3,994)	-	-
- Transfer to Stage 2	(8,361)	8,361	-	-
- Transfer to Stage 3	(218)	(2,915)	3,133	-
Impairment charged to income statement for:	5,216	31,070	27,503	63,789
- Re-measurement of impairment allowances	(4,186)	36,177	27,503	59,494
- Financial assets originated during the period	12,943	-	-	12,943
- Financial assets matured during the period	(3,541)	(5,107)	-	(8,648)
Recoveries from impairment for credit losses	-	-	(15,464)	(15,464)
Interest reserve charged to interest income	-	1,598	6,971	8,569
Recoveries of reserved interest in interest income	-	-	(2,086)	(2,086)
Write off of impairment allowances	-	-	(803)	(803)
Transfer from / (to) Memorandum portfolio	-	-	363	363
Foreign exchange and other movements	4	(15)	(73)	(84)
Balance at 31 December	18,838	111,856	238,376	369,070

Stage 1	Stage 2	Stage 3	Total
407	1,206		1,613
100	(100)	-	-
-	-	-	-
-	-	-	-
329	590		919
214	590	-	804
142	-	-	142
(27)	-	-	(27)
(2)			(2)
834	1,696		2,530
	407  100 329  214 142 (27) (2)	407 1,206  100 (100) 329 590  214 590  142 - (27) - (2)	407 1,206 -  100 (100) -   329 590 -  214 590 -  142  (27)  (2)



c.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

#### 25. CREDIT QUALITY ANALYSIS (continued)

#### 25.3 COMPARISON OF IFRS 9 WITH CENTRAL BANK OF OMAN (CBO) NORMS

The following tables are as per the requirements of CBO circular BM 1149:

#### a. Impairment charge and provisions held

RO '000

As at 30 June 2020 (Unaudited )	As per CBO norms	As per IFRS 9	Difference
Impairment loss charged to statement of comprehensive income (net of recoveries)*	48,190	48,190	-
Provisions required as per CBO norms / held as per IFRS 9 *	384,033	436,455	(52,422)
Gross NPL ratio **	3.65%	3.65%	-
Net NPL ratio **	0.98%	0.70%	0.28%

 $<sup>^{\</sup>star}$  Note: Impairment loss and provisions held above includes unallocated provision created by the bank

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

RO '000

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross amount	Provision as per CBO norms	Reserve Interest as per CBO norms	Provision as per IFRS 9	Difference (7) =	Net carrying amount	Interest recognised as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6)	(4)+(5)-(6)	(8) = (3)-(6)	(9)
Standard	Stage 1	7,956,572	109,723	-	19,840	89,883	7,936,732	-
	Stage 2	1,149,904	10,763	-	89,098	(78,335)	1,060,806	-
	Stage 3			-	-		<u> </u>	
	Sub total	9,106,476	120,486	-	108,938	11,548	8,997,538	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	740,197	12,628	-	26,782	(14,154)	713,415	-
	Stage 3				-			
	Sub total	740,197	12,628	-	26,782	(14,154)	713,415	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	81,211	17,305	1,129	18,434		62,777	
	Sub total	81,211	17,305	1,129	18,434	-	62,777	-
Doubtful	Stage 1	-	-	-	-	-	=	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	76,077	26,438	2,363	29,879	(1,078)	46,198	
	Sub total	76,077	26,438	2,363	29,879	(1,078)	46,198	-
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	259,604	173,545	30,139	228,084	(24,400)	31,520	
	Sub total	259,604	173,545	30,139	228,084	(24,400)	31,520	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	4,325,438	-	-	6,649	(6,649)	4,318,789	-
	Stage 2	1,395,525	-	-	17,689	(17,689)	1,377,836	-
	Stage 3	-	-	-	-	_	-	-
	Sub total	5,720,963	-	-	24,338	(24,338)	5,696,625	-
Total	Stage 1	12,282,010	109,723	-	26,489	83,234	12,255,521	-
	Stage 2	3,285,626	23,391	-	133,569	(110,178)	3,152,057	-
	Stage 3	416,892	217,288	33,631	276,397	(25,478)	140,495	-
	Total	15,984,528	350,402	33,631	436,455	(52,422)	15,548,073	-

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross amount	Provision as per CBO norms	Reserve Interest as per CBO norms	Provision as per IFRS 9	Difference (7) =	Net carrying amount	Interest recognised as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6)	(4)+(5)-(6)	(8) = (3)-(6)	(9)
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	223,760	2,634	-	11,346	(8,712)	212,414	-
	Stage 3							
	Sub total	223,760	2,634	-	11,346	(8,712)	212,414	-
Classified as non- performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	94,858	57,170	6,780	69,684	(5,734)	25,174	
	Sub total	94,858	57,170	6,780	69,684	(5,734)	25,174	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	223,760	2,634	-	11,346	(8,712)	212,414	-
	Stage 3	94,858	57,170	6,780	69,684	(5,734)	25,174	
	Total	318,618	59,804	6,780	81,030	(14,446)	237,588	-

 $<sup>^{\</sup>star\star}$  NPL ratios are calculated on the basis of funded non performing loans and funded exposures



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#### 25. CREDIT QUALITY ANALYSIS (continued)

## 25.3 COMPARISON OF IFRS 9 WITH CENTRAL BANK OF OMAN (CBO) NORMS

The following tables are as per the requirements of CBO circular BM 1149:

#### a. Impairment charge and provisions held

RO '000

As at 31 December 2019 (Audited )	As per CBO	As per IFRS	Difference
	norms	9	
Impairment loss charged to statement of comprehensive income (net of recoveries)*	56,127	56,127	-
Provisions required as per CBO norms / held as per IFRS 9 *	371,216	382,197	(10,981)
Gross NPL ratio **	3.25%	3.25%	-
Net NPL ratio **	0.98%	0.89%	0.09%

<sup>\*</sup> Note: Impairment loss and provisions held above includes unallocated provision created by the Group

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

RO '000

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross amount	Provision as per CBO norms	Reserve Interest as per CBO norms	Provision as per IFRS 9	Difference	Net carrying amount	Interest recognised as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8) = (3)- (6)	(9)
Standard	Stage 1 Stage 2	7,839,159 1,166,567	108,488 12,166	-	18,954 51,252	89,534 (39,086)	7,820,205 1,115,315	-
	Stage 3			-		-		
	Sub total	9,005,726	120,654	-	70,206	50,448	8,935,520	-
Special Mention	Stage 1			-		-		-
	Stage 2 Stage 3	710,369	12,419	-	26,515 -	(14,096)	683,854	-
	Sub total	710,369	12,419	-	26,515	(14,096)	683,854	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	50,484	12,035	361	12,396		38,088	
	Sub total	50,484	12,035	361	12,396	-	38,088	-
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2 Stage 3	67,954	28,550	- 1,775	39,780	(9,455)	28.174	-
	Sub total	67,954	28,550	1,775	39,780	(9,455)	28,174	<del></del>
Loss	Stage 1	-	· ·	-	· ·	-	· · ·	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	228,677	168,380	27,042	201,318	(5,896)	27,359	
	Sub total	228,677	168,380	27,042	201,318	(5,896)	27,359	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	4,293,058	-	-	4,859	(4,859)	4,288,199	-
	Stage 2	1,620,892	-	-	27,123	(27,123)	1,593,769	-
	Stage 3	_			-			
	Sub total	5,913,950	-	-	31,982	(31,982)	5,881,968	-
Total	Stage 1	12,132,217	108,488	-	23,813	84,675	12,108,404	-
	Stage 2	3,497,828	24,585	-	104,890	(80,305)	3,392,938	-
	Stage 3	347,115	208,965	29,178	253,494	(15,351)	93,621	
	Total	15,977,160	342,038	29,178	382,197	(10,981)	15,594,963	-

#### c. Restructured loans

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross amount	Provision as per CBO norms	Reserve Interest as per CBO norms	Provision as per IFRS 9	Difference	Net carrying amount	Interest recognised as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8) = (3)- (6)	(9)
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	197,163	2,862	-	10,281	(7,419)	186,882	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	197,163	2,862	-	10,281	(7,419)	186,882	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	91,084	56,755	5,858	62,613	-	28,471	-
	Sub total	91,084	56,755	5,858	62,613	-	28,471	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	197,163	2,862	-	10,281	(7,419)	186,882	-
	Stage 3	91,084	56,755	5,858	62,613	-	28,471	-
	Total	288,247	59,617	5,858	72,894	(7,419)	215,353	_

<sup>\*\*</sup> NPL ratios are calculated on the basis of funded non performing loans and funded exposures



### 26. FAIR VALUE INFORMATION

Based on the valuation methodology outlined below, the fair values of all on and off-balance sheet financial instruments at reporting dates are considered by the Board and Management not to be materially different to their book values:

As of 30 June 2020	Designated as at FVTPL RO' 000	Designated as at FVOCI RO' 000	Amortised cost RO' 000	Total carrying value RO' 000	Fair value RO' 000	Level
Cash and balances with Central Banks	-	-	920,156	920,156	920,156	3
Due from banks	38,092	9,617	558,491	606,200	612,781	2,3
Loans and advances and Islamic financing receivables	-	-	8,960,047	8,960,047	9,072,359	3
Investment securities	24,240	133,419	1,485,142	1,642,801	1,673,266	1,2,3
Positive fair value of derivatives	39,089	-	-	39,089	39,089	2
	101,421	143,036	11,923,836	12,168,293	12,317,651	
Deposits from banks	-	-	894,665	894,665	901,425	3
Customers' deposits and Islamic customer deposits	-	-	8,561,834	8,561,834	8,588,570	3
Sukuk	-	-	90,205	90,205	89,840	1
Euro medium term notes	-	-	387,593	387,593	411,086	1
Subordinated liabilities	-	-	19,635	19,635	19,635	3
Negative fair value of derivatives	30,804	-	-	30,804	30,804	2
	30,804	-	9,953,932	9,984,736	10,041,360	

As of 31 December 2019	Designated as at FVTPL RO' 000	Designated as at FVOCI RO' 000	Amortised cost RO' 000	Total carrying value RO' 000	Fair value RO' 000	Level
Cash and balances with Central Banks	-	-	781,755	781,755	781,755	3
Due from banks	48,755	15,328	805,721	869,804	880,223	2,3
Loans and advances and Islamic financing receivables	-	-	8,878,041	8,878,041	9,028,450	3
Investment securities	25,934	144,202	1,274,696	1,444,832	1,469,958	1,2,3
Positive fair value of derivatives	22,274	-	-	22,274	22,274	2
	96,963	159,530	11,740,213	11,996,706	12,182,660	
Deposits from banks	-	-	1,173,479	1,173,479	1,180,261	3
Customers' deposits and Islamic customer deposits	-	-	8,043,666	8,043,666	8,068,716	3
Sukuk	-	-	90,205	90,205	89,670	1
Euro medium term notes	-	-	385,410	385,410	397,081	1
Subordinated liabilities	-	-	26,180	26,180	26,180	3
Negative fair value of derivatives	18,675	-	-	18,675	18,675	2
	18,675	-	9,718,940	9,737,615	9,780,583	



## 26. FAIR VALUE INFORMATION (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at the reporting dates:

As of 30 June 2020	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Assets				
Derivatives	-	39,089	-	39,089
FVTPL Equity	14,883	-	9,357	24,240
FVOCI Equity	70,315	-	2,709	73,024
FVOCI Debt	57,112		3,283	60,395
Total Assets	142,310	39,089	15,349	196,748
Liabilities				
Derivatives	<u> </u>	30,804	<u> </u>	30,804
As of 31 December 2019	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
As of 31 December 2019 Assets	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Assets		RO′000		RO'000
Assets Derivatives	RO'000 -	RO′000	RO′000	<i>RO′000</i> 22,274
Assets Derivatives FVTPL Equity	<i>RO'000</i> - 17,140	RO′000	<i>RO'000</i> - 8,794	22,274 25,934
Assets Derivatives FVTPL Equity FVOCI Equity	<i>RO'000</i> - 17,140 81,197	RO′000	<i>RO'000</i> - 8,794 3,527	22,274 25,934 84,724
Assets Derivatives FVTPL Equity FVOCI Equity FVOCI Debt	<i>RO'000</i> - 17,140 81,197 55,109	22,274 - - - -	8,794 3,527 4,369	22,274 25,934 84,724 59,478

The following table demonstrate the movement of the Group's level 3 investments:

As of 30 June 2020	FVOCI Equity	FVOCI Debt	FVTPL Equity	Total
	RO'000		RO′000	RO'000
At 1 January 2020	3,527	4,369	8,794	16,690
Realised gain on sale	-	2	-	2
Gain (loss) from change in fair value	(812)	(456)	(233)	(1,501)
Realised gain on sale	-	-	4	
Additions	-	-	896	896
Disposals and redemption	-	(83)	(104)	(187)
(Impairment) / Reversal of impairment on	-		-	
investments		(549)		
Exchange differences	(6)	-	-	(6)
	2,709	3,283	9,357	15,894
As of 21 December 2010	FVOCI	FVOCI	FVTPL	Total
As of 31 December 2019	Equity	Debt	Equity	
		RO'000		RO'000
At 1 January 2019	RO'000	<i>RO'000</i> 7,937	RO'000	<i>RO'000</i> 27,511
At 1 January 2019 Realised gain on sale		<i>RO'000</i> 7,937 -		<i>RO'000</i> 27,511 218
	RO'000		<i>RO'000</i> 8,812	27,511
Realised gain on sale	<i>RO'000</i> 10,762	7,937 -	<i>RO'000</i> 8,812 218	27,511 218
Realised gain on sale Gain (loss) from change in fair value	<i>RO'000</i> 10,762	7,937 -	<i>RO'000</i> 8,812 218 (119)	27,511 218 546
Realised gain on sale Gain (loss) from change in fair value Additions	<i>RO'000</i> 10,762 - 291	7,937 - 374 -	<i>RO'000</i> 8,812 218 (119) 1,044	27,511 218 546 1,044
Realised gain on sale Gain (loss) from change in fair value Additions Disposals and redemption	<i>RO'000</i> 10,762 - 291	7,937 - 374 - (3,600)	<i>RO'000</i> 8,812 218 (119) 1,044	27,511 218 546 1,044 (12,280)

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# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

#### 26. FAIR VALUE INFORMATION (continued)

As of 30 June 2020 83%, (31 December 2019: 79%) of the level 3 equity securities were valued on the basis of fair valuation carried out in accordance with appropriate valuation techniques based on income approach (discounting of cash flows), market approach (using prices or other relevant information generated by market transactions of identical or similar entities), cost approach or a combination thereof. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, using the best information available in the circumstances. These might include banks own data and would consider all information about market participant assumptions that is reasonably available.

As of 30 June 2020 17%, (31 December 2019: 21%) of the level 3 equity securities were valued on the basis of latest available capital accounts statements of the investee companies received from independent fund managers as at 31 March 2020 or at a later date and adjusted for subsequent cash flows till 30 June 2020 or based on net asset values received from independent fund managers as at 31 March 2020 or at a later date.

The debt investments were valued on fair value basis. Valuation is based on Risk adjusted discount rate (yield) considering a reasonable range of estimates. A significant decrease in the credit quality would result in a lower fair value with significant increase in the spread above the risk-free rate and vice-versa. The Group holds adequate provisioning on the above investments as of the reporting date.

There are no transfers of securities between Level 1, 2 and 3 during the period. Further, there is no change in the techniques used for fair valuation of level 3 securities during the period.

### 27. Comparative figures

Certain corresponding figures for 2019 have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit or equity.