Bank Muscat SAOG

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

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Contents **Page No.**

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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.

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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

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

	Notes	Unaudited 30 June 2020 RO' 000	Audited 31 December 2019 RO' 000	Unaudited 30 June 2019 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
EQUITY				
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.

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

		Unaudited -for six months period ended-		*Unaudited -for three months period ended-*	
		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**	114,214
Interest expense	13	**(74,254)**	(79,790)	**(36,765)**	(40,381)
Net interest income		**147,379**	145,815	**72,686**	73,833
Income from Islamic financing / investments	12	**34,119**	32,196	**17,076**	16,280
Distribution to depositors	13	**(20,965)**	(18,988)	**(10,461)**	(9,848)
Net income from Islamic financing		**13,154**	13,208	**6,615**	6,432
Net interest income and income from Islamic financing		**160,533**	159,023	**79,301**	80,265
Commission and fee income (net)	14	**43,258**	47,953	**17,824**	25,155
Other operating income	15	**21,432**	27,092	**12,472**	12,327
OPERATING INCOME		**225,223**	234,068	**109,597**	117,747
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**	57,690
Tax expense		**(13,438)**	(18,328)	**(7,394)**	(9,849)
PROFIT FOR THE PERIOD		**69,563**	93,645	**36,316**	47,841
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**	891
Change in fair value of cash flow hedge		**(161)**	(380)	**7**	(273)
		(1,856)	2,130	**6,623**	309
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)
		(10,345)	(6,964)	**2,288**	(686)
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		**(12,201)**	(4,834)	**8,911**	(377)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**57,362**	88,811	**45,227**	47,464
Total comprehensive income for the period attributable to					
Equity holders of Parent Company		**57,362**	88,811	**45,227**	47,464
Profit attributable to					
Equity holders of Parent Company		**69,563**	93,645	**36,316**	47,841
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 consolidated financial statements.

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 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 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	**-**	**-**	**-**	**-**	**-**	**-**	**(161)**	**(11,811)**	**(229)**	**-**	**69,563**	**57,362**	**-**	**57,362**
Transfer within equity upon disposal of 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)	-	-	-	-	-	-	(380)	(4,082)	(372)	-	93,645	88,811	-	88,811
Transfer within equity upon disposal of FVOCI equity instruments	-	-	-	-	-	-	-	935	-	-	(935)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-		(103,159)	(103,159)	-	(103,159)
Issue of bonus shares	14,737	-	-	-	-	-	-	-	-	-	(14,737)	-	-	-
Transfer from restructured reserve to retained earnings	-	-	-	-	-	-	-	-	-	(450)	450	-	-	-
Interest paid on perpetual Tier 1 capital											(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.

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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 ACTIVTIES		
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 consolidated financial statements.

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

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.

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.

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

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

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 30 June 2020 RO' 000	Audited 31 December 2019 RO' 000	Unaudited 30 June 2019 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 30 June 2020 RO' 000	Audited 31 December 2019 RO' 000	Unaudited 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 30 June 2020 RO' 000	*Audited 2019 RO' 000*	*Unaudited 30 June 2019 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 RO' 000	*Audited 31 December 2019 RO' 000*	*Unaudited 30 June 2019 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 30 June 2020 RO' 000	*Audited 31 December 2019 RO' 000*	*Unaudited 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

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

5. INVESTMENT SECURITIES (continued)

As at 30 June 2020 (unaudited)	FVTPL RO' 000	FVOCI RO' 000	Amortised Cost RO' 000	Total RO' 000
Quoted equities:				
Foreign securities	7,414	56,719	-	64,133
Other services sector	-	5,882	-	5,882
Unit funds	6,919	-	-	6,919
Financial service sector	550	5,861	-	6,411
Industrial sector	-	1,853	-	1,853
	14,883	70,315	-	85,198
Unquoted equities:				
Financial service sector	-	-	-	-
Foreign securities	952	1,054	-	2,006
Local securities	8,014	1,655	-	9,669
Unit funds	391	-	-	391
	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
Quoted debt:				
Treasury bills	-	-	-	-
Government bonds	-	-	781,549	781,549
Foreign bonds	-	33,809	5,003	38,812
Local bonds	-	23,496	91,469	114,965
	-	57,305	878,021	935,326
Unquoted debt:				
Treasury bills	-	-	594,925	594,925
Local bonds	-	4,937	12,879	17,816
	-	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
Net investments	24,240	133,419	1,485,142	1,642,801

As at 31 December 2019 (Audited)	FVTPL RO' 000	FVOCI RO' 000	Amortised Cost RO' 000	Total RO' 000
Quoted equities:				
Foreign securities	7,518	65,761	-	73,279
Other services sector	-	7,616	-	7,616
Unit funds	9,014	-	-	9,014
Financial service sector	608	6,451	-	7,059
Industrial sector	-	1,369	-	1,369
	17,140	81,197	-	98,337
Unquoted equities:				
Foreign securities	870	1,672	-	2,542
Local securities	7,533	1,855	-	9,388
Unit funds	391	-	-	391
	8,794	3,527	-	12,321
Equities portfolio	25,934	84,724	-	110,658
Quoted debt:				
Government bonds	-	-	702,652	702,652
Foreign bonds	-	32,811	5,012	37,823
Local bonds	-	22,503	91,415	113,918
	-	55,314	799,079	854,393
Unquoted debt:				
Treasury bills	-	-	461,819	461,819
Local bonds	-	5,475	14,100	19,575
	-	5,475	475,919	481,394
Gross debt portfolio	-	60,789	1,274,998	1,335,787
Less: Impairment loss allowance	-	(1,311)	(302)	(1,613)
Net debt portfolio	-	59,478	1,274,696	1,334,174
Net investments	25,934	144,202	1,274,696	1,444,832

5. INVESTMENT SECURITIES (continued)

The movement in impairment of debt investments is summarised as follows

	Unaudited 30 June 2020 RO' 000	*Audited* 31 December 2019 RO' 000	*Unaudited* 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 30 June 2020 RO' 000	*Audited* 31 December 2019 RO' 000	*Unaudited* 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 30 June 2020 RO' 000	*Audited* 31 December 2019 RO' 000	*Unaudited* 30 June 2019 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 *30 June 2020* *RO' 000*	*Audited* *31 December 2019* *RO' 000*	*Unaudited* *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
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 *30 June 2020* *RO' 000*	*Audited* *31 December 2019* *RO' 000*	*Unaudited* *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 30 June 2020 RO' 000	Audited 31 December 2019 RO' 000	Unaudited 30 June 2019 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 30 June 2020 RO' 000	Audited 31 December 2019 RO' 000	Unaudited 30 June 2019 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 30 June 2020 RO' 000	Audited 2019 RO' 000	Unaudited 30 June 2019 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

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

12. INTEREST INCOME / INCOME ON ISLAMIC FINANCING / INVESTMENT

	Unaudited -for six months period ended- 30 June 2020 RO' 000	Unaudited 30 June 2019 RO' 000	Unaudited -for three months ended- 30 June 2020 RO' 000	Unaudited 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 -for six months period ended- 30 June 2020 RO' 000	Unaudited 30 June 2019 RO' 000	Unaudited -for three months ended- 30 June 2020 RO' 000	Unaudited 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 -for six months period ended- 30 June 2020 RO' 000	Unaudited 30 June 2019 RO' 000	Unaudited -for three months ended- 30 June 2020 RO' 000	Unaudited 30 June 2019 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

	Unaudited -for six months period ended- 30 June 2020 RO' 000	Unaudited 30 June 2019 RO' 000	Unaudited -for three months ended- 30 June 2020 RO' 000	Unaudited 30 June 2019 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)

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

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	Unaudited	Unaudited
	-for six months period ended-		-for three months period ended-	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
		RO' 000	RO' 000	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	Unaudited
		31 December	
	30 June 2020	2019	30 June 2019
	RO' 000	RO' 000	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	Unaudited	Unaudited	Unaudited
	-for six months period ended-		-for three months period ended-	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RO' 000	RO' 000	RO' 000	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:

	Unaudited	Unaudited	Unaudited	Unaudited
	-for six months period ended-		-for three months period ended-	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RO' 000	RO' 000	RO' 000	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 30 June 2020 RO' 000	Unaudited 30 June 2019 RO' 000
Remuneration	**61**	64
Sitting fees	**39**	36
	100	100

19. DERIVATIVES

As at 30 June 2020 (unaudited)	Positive fair value RO' 000	Negative fair value RO' 000	Notional total RO' 000	Notional amounts by term to maturity 0-3 months RO' 000	4-12 months RO' 000	> 12 months 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 (audited)	Positive fair value RO' 000	Negative fair value RO' 000	Notional total RO' 000	Notional amounts by term to maturity 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 (unaudited)	Positive fair value RO' 000	Negative fair value RO' 000	Notional total RO' 000	Notional amounts by term to maturity 0-3 months RO' 000	4-12 months RO' 000	> 12 months RO' 000
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

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

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 30 June 2019 RO' 000 Total	Unaudited 30 June 2019 RO' 000 International	Unaudited 30 June 2019 RO' 000 Oman		Unaudited 30 June 2020 RO' 000 Oman	Unaudited 30 June 2020 RO' 000 International	Unaudited 30 June 2020 RO' 000 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)**
(24,987)	(7,946)	(17,041)	Net impairment losses on financial 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**

20. 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 (unaudited)	*Corporate banking RO '000*	*Consumer banking RO '000*	*Wholesale banking RO '000*	*International banking* RO '000*	*Subtotal RO '000*	*Islamic banking RO '000*	*Total RO '000*
Segment revenue							
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**
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**

30 June 2019 (unaudited)	*Corporate banking RO '000*	*Consumer banking RO '000*	*Wholesale banking RO '000*	*International banking* RO '000*	*Subtotal RO '000*	*Islamic banking RO '000*	*Total RO '000*
Segment revenue							
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
Segment liabilities	3,455,403	3,899,846	1,016,631	458,409	8,830,289	1,264,682	10,094,971

Note: * International banking includes overseas operations and cost allocations from Oman operations

21. ASSET LIABILITY MATURITY

The asset and liability maturity profile was as follows:

	Unaudited 30 June 2020 RO' 000	Audited 31 December 2019 RO' 000	Unaudited 30 June 2019 RO' 000
ASSETS			
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 30 June 2020 RO' 000	Audited 31 December 2019 RO' 000	Unaudited 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 30 June 2020 RO' 000	*Audited* 31 December 2019 RO' 000	*Unaudited* 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 30 June 2020 RO' 000	*Audited* 31 December 2019 RO' 000	*Unaudited* 30 June 2019 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:

		Unaudited	*Audited*	*Unaudited*
		30 June 2020	*31 December 2019*	*30 June 2019*
		RO' 000	*RO' 000*	*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 amounts of off-balance sheet exposures)	**1,430,353**	1,404,205	1,545,139
7	Other adjustments	**(8,270)**	(5,157)	(7,800)
8	Leverage ratio exposure	**13,972,088**	13,758,565	13,609,430

Table 2: Leverage ratio common disclosure template

		Unaudited	*Audited*	*Unaudited*
		30 June 2020	*31 December 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	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	**12,427,708**	12,251,374	11,967,782
	Derivative Exposures			
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible 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 sheet assets pursuant to the operative accounting framework	**-**	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**-**	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	**-**	-	-
9	Adjusted effective notional amount of written credit derivatives	**-**	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit 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	(Adjustments for conversion to credit equivalent amounts)	**(1,326,961)**	(1,369,384)	(1,566,807)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**1,430,353**	1,404,205	1,545,139
	Capital and total exposures			
20	Tier 1 capital	**1,829,323**	1,837,995	1,764,490
21	Total exposures (sum of lines 3, 11, 16 and 19)	**13,972,088**	13,758,565	13,609,430
	Leverage Ratio			
22	**Basel III leverage ratio (%)**	**13.1%**	13.4%	13.0%

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

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.

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

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)
Financial assets originated during the period	692,625	-	-	692,625
Financial assets matured during the period	(477,543)	-	-	(477,543)
Balance at 30 June	**1,543,177**	**4,890**	**-**	**1,548,067**

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

Debt investment securities at amortised cost / FVOCI	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	407	1,206	-	1,613
Transfer between stages:				
- Transfer to Stage 1	100	(100)	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
Impairment charged to income statement for:	329	590	-	919
- Re-measurement of impairment allowances	214	590	-	804
- Financial assets originated during the period	142	-	-	142
- Financial assets matured during the period	(27)	-	-	(27)
Others	(2)			(2)
Balance at 31 December	834	1,696	-	2,530

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%

* Note: Impairment loss and provisions held above includes unallocated provision created by the bank

** NPL ratios are calculated on the basis of funded non performing loans and funded exposures

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	**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	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	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**	**-**

c. ***Restructured loans***

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)*
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**	**-**

NOTES TO THE INTERIM NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PI 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 31 December 2019 (Audited)	*As per CBO norms*	*As per IFRS 9*	*Difference*
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%

* Note: Impairment loss and provisions held above includes unallocated provision created by the Group

** NPL ratios are calculated on the basis of funded non performing loans and funded exposures

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

RO '000

Asset classification as per CBO norms (1)	*Asset classification as per IFRS 9 (2)*	*Gross amount (3)*	*Provision as per CBO norms (4)*	*Reserve interest as per CBO norms (5)*	*Provision as per IFRS 9 (6)*	*Difference (7) = (4)+(5)-(6)*	*Net carrying amount (8) = (3)-(6)*	*Interest recognised as per IFRS 9 (9)*
Standard	Stage 1	7,839,159	108,488	-	18,954	89,534	7,820,205	-
	Stage 2	1,166,567	12,166	-	51,252	(39,086)	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	710,369	12,419	-	26,515	(14,096)	683,854	-
	Stage 3	-	-	-	-	-	-	-
	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	-
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 (1)	*Asset classification as per IFRS 9 (2)*	*Gross amount (3)*	*Provision as per CBO norms (4)*	*Reserve interest as per CBO norms (5)*	*Provision as per IFRS 9 (6)*	*Difference (7) = (4)+(5)-(6)*	*Net carrying amount (8) = (3)-(6)*	*Interest recognised as per IFRS 9 (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	-

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	

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

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	**-**	**30,804**	**-**	**30,804**

As of 31 December 2019	*Level 1 RO'000*	*Level 2 RO'000*	*Level 3 RO'000*	*Total RO'000*
Assets				
Derivatives	-	22,274	-	22,274
FVTPL Equity	17,140	-	8,794	25,934
FVOCI Equity	81,197	-	3,527	84,724
FVOCI Debt	55,109	-	4,369	59,478
Total Assets	153,446	22,274	16,690	192,410
Liabilities				
Derivatives	-	18,675	-	18,675

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

As of 30 June 2020	*FVOCI Equity RO'000*	*FVOCI Debt*	*FVTPL Equity RO'000*	*Total 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 31 December 2019	*FVOCI Equity RO'000*	*FVOCI Debt RO'000*	*FVTPL Equity RO'000*	*Total RO'000*
At 1 January 2019	10,762	7,937	8,812	27,511
Realised gain on sale	-	-	218	218
Gain (loss) from change in fair value	291	374	(119)	546
Additions	-	-	1,044	1,044
Disposals and redemption	(7,526)	(3,600)	(1,154)	(12,280)
Impairment on investments	-	(342)	-	(342)
Exchange differences	-	-	(7)	(7)
At 31 December 2019	3,527	4,369	8,794	16,690

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.