



**Oman Arab Bank SAOG**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED 30 JUNE 2020 (UNAUDITED)**

**1 Legal status and principal activities**

Oman Arab Bank SAOG (the Bank) was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock SAOC company. It is principally engaged in commercial and investment banking activities through a network of branches in the Sultanate of Oman. The registered head office of the bank is North Al Ghoubra, P. O. Box 2240, Al-Udhayabah, Postal Code 130, Muscat, and Sultanate of Oman. For the period from 1984 to 29 June 2020, the Bank was a subsidiary of Oman International Development and Investment Company SAOG.

The bank employed 1,220 staff as at 30 June 2020 (30 June 2019: 1,215, 31 December 2019: 1,240)

**2 Basis of preparation**

The condensed interim financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. In addition, results of the three months period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of Bank's annual financial statements for the year ended 31 December 2019, except the consolidation of Alizz Islamic Bank as at 30 June 2020. The condensed interim financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

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

The condensed interim financial statements are prepared under the historical cost convention, modified to include measurement of derivative financial instruments and equity investments either through profit and loss account or through other comprehensive Income, at fair value.

The Bank presents its condensed interim financial statement of financial position in descending order of liquidity, as this presentation is more appropriate to the Bank's operations.

**3 Acquisition of Alizz Islamic Bank SAOG**

On 30 June 2020, the Bank acquired 99.98 percent of the shares and voting interests in Alizz Islamic Bank SAOG. As a result, the Bank obtained full control over Alizz Islamic Bank SAOG, which made it a wholly owned subsidiary. Alizz Islamic Bank was previously listed on the Muscat Securities Market (MSM) and upon acquisition by Oman Arab Bank, the shares of Alizz Islamic Bank were delisted. Subsequently these shares were exchanged for the shares in the Oman Arab Bank. The exchange of shares were based on the agreed ratio of 81:19.

On 6 July 2020, Oman Arab Bank SAOG became a listed Bank. Consequently, the ordinary equity shares of the Oman Arab Bank SAOG were listed on Muscat Securities Market (MSM).

**a. Consideration transferred**

|  | RO'000 |
|--|--------|
| Net assets of Alizz Islamic Bank SAOG acquired as on 30-Jun-2020 (first date of consolidation) – (refer sub-point d) | 69,486 |
| Consideration paid including share premium   | 68,886 |
| Reserve movement   | 600    |



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**3 Acquisition of Alizz Islamic Bank SAOG (continued)**

**b. Consideration transferred (continued)**

|               | Units       | Unit Price | RO' 000 |
|---------------|-------------|------------|---------|
| Shares Issued | 323,210,000 | 0.100      | 32,321  |
| Share Premium | 323,210,000 | 0.113      | 36,565  |
|               |             |            | 68,886  |

**c. Acquisition-related costs**

The Bank has so far incurred acquisition-related costs of RO 733,192 relating to external legal fees and due diligence costs.

**d. Identifiable assets acquired and liabilities assumed**

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

| <b>Assets</b>                                     | <b>RO'000</b>  |
|---|----------------|
| Cash and balances with the Central Bank of Oman   | 34,223         |
| Due from banks                                    | 5,114          |
| Loans & advances and financing to customers       | 563,075        |
| Investment securities                             | 42,399         |
| Property and equipment                            | 3,534          |
| Other assets                                      | 17,397         |
| <b>Total Assets</b>                               | <b>665,742</b> |
| Due to banks                                      | 10,203         |
| Deposits from customers                           | 572,362        |
| Other liabilities                                 | 13,691         |
| <b>Liabilities</b>                                | <b>596,256</b> |
| Equity of unrestricted investment account holders | -              |
| <b>Total liabilities</b>                          | <b>596,256</b> |
| <b>Net assets</b>                                 | <b>69,486</b>  |

**4 Comparatives**

As at 30 June 2020, post acquisition of Alizz Islamic Bank, the Bank has consolidated the assets and has recognised the liabilities for group reporting. The details mentioned under earlier comparative periods are standalone as the combining entities were not under the common control at those respective dates.

**5 Cash and balances with Central Bank of Oman**

|  | <b>Consolidated<br/>Unaudited<br/>30-Jun-20<br/>RO'000</b> | <b>OAB SAOC<br/>Unaudited<br/>30-Jun-19<br/>RO'000</b> | <b>OAB SAOC<br/>Audited<br/>31-Dec-19<br/>RO'000</b> |
|--|--|--|--|
| Cash in hand                               | 44,375   | 43,901   | 42,511   |
| Clearing account with Central Bank of Oman | 91,391   | 95,727   | 94,303   |
| Other balances with Central Bank of Oman   | 23,125   | 67,375   | 42,350   |
| Capital deposit with Central Bank of Oman* | 1,000  | 500  | 500  |
|  | <b>159,891</b>   | <b>207,503</b>   | <b>179,664</b>                                       |



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**5 Cash and balances with Central Bank of Oman (continued)**

\* The capital deposit cannot be withdrawn without the approval of the Central Bank of Oman. The capital deposit earns an annual interest at 1.5 per cent as at 30 June 2020 (30 June 2019: 1.5 per cent, 31 December 2019: 1.5 per cent).

**6 Due from banks**

|                                       | <b>Consolidated<br/>Unaudited<br/>30-Jun-20<br/>RO'000</b> | <b>OAB SAOC<br/>Unaudited<br/>30-Jun-19<br/>RO'000</b> | <b>OAB SAOC<br/>Audited<br/>31-Dec-19<br/>RO'000</b> |
|---------------------------------------|--|--|--|
| Placements                            | 43,625   | 52,557   | 39,130   |
| Current accounts                      | 26,433   | 23,189   | 12,026   |
|                                       | <b>70,058</b>  | <b>75,746</b>  | <b>51,156</b>  |
| Less: allowance for the credit losses | (212)  | (427)  | (354)  |
|                                       | <b>69,846</b>  | <b>75,319</b>  | <b>50,802</b>  |

The movements in the allowance for credit losses on due from banks were as follows:

|                                  | <b>Consolidated<br/>Unaudited<br/>30-Jun-20<br/>RO'000</b> | <b>OAB SAOC<br/>Unaudited<br/>30-Jun-19<br/>RO'000</b> | <b>OAB SAOC<br/>Audited<br/>31-Dec-19<br/>RO'000</b> |
|----------------------------------|--|--|--|
| Opening balance of the period    | 354  | 538  | 538  |
| Acquisition adjustment           | (1)  | -  | -  |
| Provided during the period       | (141)  | (111)  | (184)  |
| Balance at the end of the period | <b>212</b>   | <b>427</b>   | <b>354</b>   |

**7 Loans, advances and financing activities for customers**

|                                   | <b>Consolidated<br/>Unaudited<br/>30-Jun-20<br/>RO'000</b> | <b>OAB SAOC<br/>Unaudited<br/>30-Jun-19<br/>RO'000</b> | <b>OAB SAOC<br/>Audited<br/>31-Dec-19<br/>RO'000</b> |
|-----------------------------------|--|--|--|
| Commercial loans                  | 1,489,527  | 1,103,024  | 1,161,929  |
| Overdrafts                        | 146,821  | 148,042  | 137,344  |
| Personal loans                    | 1,032,871  | 761,944  | 756,601  |
| Other loans                       | 3,510  | 3,886  | 4,016  |
|                                   | <b>2,672,729</b>   | <b>2,016,896</b>                                       | <b>2,059,890</b>                                     |
| Less: allowance for credit losses | (85,762)   | (62,179)   | (53,560)   |
|                                   | <b>2,586,967</b>   | <b>1,954,717</b>                                       | <b>2,006,330</b>                                     |



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**7 Loans, advances and financing activities for customers (continued)**

***Allowance for credit losses***

Included in above the loans related to Alizz Islamic Bank of RO 584,079 thousand and corresponding provisions of RO 21,004 thousand.

The movements in the provision for loan impairment and reserved interest were as follows:

|  | <b>30 June 2020 (Consolidated)</b>                |   |                         |
|--|---|---|-------------------------|
|  | <b>Allowance for<br/>credit losses<br/>RO 000</b> | <b>Contractual<br/>interest not<br/>recognised<br/>RO 000</b> | <b>Total<br/>RO 000</b> |
| Balance at beginning of period                 | 47,153  | 6,407   | 53,560                  |
| Acquisition adjustment                         | 19,741  | 1,318   | 21,059                  |
| Provided during the period                     | 11,456  | 1,832   | 13,288                  |
| Amounts written off during the period          | (66)  | (1)   | (67)                    |
| Amounts released / recovered during the period | (3,622)   | 1,544   | (2,078)                 |
| Balance at end of period                       | <u>74,662</u>                                     | <u>11,100</u>   | <u>85,762</u>           |
|  | <b>30 June 2019 (OAB SAOC)</b>                    |   |                         |
|  | <b>Allowance for<br/>credit losses<br/>RO 000</b> | <b>Contractual<br/>interest not<br/>recognised<br/>RO 000</b> | <b>Total<br/>RO 000</b> |
| Balance at beginning of period                 | 47,596  | 7,623   | 55,219                  |
| Provided during the period                     | 9,117   | 2,223   | 11,340                  |
| Amounts written off during the period          | (17)  | (1)   | (18)                    |
| Amounts released/recovered during the year     | (3,900)   | (462)   | (4,362)                 |
| Balance at end of period                       | <u>52,796</u>                                     | <u>9,383</u>  | <u>62,179</u>           |
|  | <b>31 December 2019 (OAB SAOC) Audited</b>        |   |                         |
|  | <b>Allowance for<br/>credit losses<br/>RO 000</b> | <b>Contractual<br/>interest not<br/>recognised<br/>RO 000</b> | <b>Total<br/>RO 000</b> |
| Balance at 1 January 2019                      | 47,596  | 7,623   | 55,219                  |
| Provided during the year                       | 13,979  | 5,208   | 19,187                  |
| Amounts written off during the year            | (8,902)   | (3,627)   | (12,529)                |
| Amounts released/recovered during the year     | (5,520)   | (2,797)   | (8,317)                 |
| Balance at end of year                         | <u>47,153</u>                                     | <u>6,407</u>  | <u>53,560</u>           |

As part of the acquisition of Alizz Islamic Bank SAOG, the consolidated financial statements include an ECL provisions of RO 21,004,000, which has been recognised at the time of acquisition, along with the “contractual interest not recognised” for RO 1,295,000.



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**7 Loans, advances and financing activities for customers (continued)**

***Allowance for credit losses (continued)***

Total allowance for the expected credit loss on the consolidated performing loans as at 30 June 2020 is RO 35,187,485 (30 June 2019: RO 28,371,661, 31 December 2019: 23,018,278). The Central Bank of Oman regulation requires that the allowance for credit losses should be in accordance with IFRS 9 and if the provision requirement in accordance with the Central Bank of Oman guidelines is higher than IFRS 9, the difference net of tax needs to be transferred to the "Impairment Reserve" as an appropriation from net profit after tax. Transfer to / from this reserve is undertaken at each year end.

As at 30 June 2020, the consolidated gross non-performing loans amounts to RO 97,932,000 (30 June 2019: RO 71,188,773; 31 December 2019: 73,933,879).



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**7 Loans, advances and financing activities for customers (continued)**

**7 a) Movement in Expected credit losses (ECL)**

|  | <b>Stage 1</b>   | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>     |
|--|------------------|----------------|----------------|------------------|
|  | <b>RO 000</b>    | <b>RO 000</b>  | <b>RO 000</b>  | <b>RO 000</b>    |
| <b>Exposure subject to ECL (consolidated)</b>              |                  |                |                |                  |
| - Loans and Advances to Customers                          | 1,977,616        | 597,943        | 97,169         | <b>2,672,728</b> |
| - Investment Securities (Debt)                             | 51,785           | -              | -              | <b>51,785</b>    |
| - Loan Commitments and Financial Guarantees                | 527,621          | 378,045        | 763            | <b>906,429</b>   |
| - Due from Banks, Central Banks and Other Financial Assets | 292,031          | -              | -              | <b>292,031</b>   |
|  | <b>2,849,053</b> | <b>975,988</b> | <b>97,932</b>  | <b>3,922,973</b> |
| <b>Opening balance as at 1 January 2020 (OAB SAOC)</b>     |                  |                |                |                  |
| - Loans and Advances to Customers                          | 7,001            | 14,973         | 24,489         | <b>46,463</b>    |
| - Investment Securities (Debt)                             | 67               | -              | -              | <b>67</b>        |
| - Loan Commitments and Financial Guarantees                | 490              | 134            | -              | <b>624</b>       |
| - Due from Banks, Central Banks and Other Financial Assets | 354              | -              | -              | <b>354</b>       |
|  | <b>7,912</b>     | <b>15,107</b>  | <b>24,489</b>  | <b>47,508</b>    |
| <b>Net transfer between stages</b>                         |                  |                |                |                  |
| - Loans and Advances to Customers                          | 108              | (205)          | 97             | -                |
| - Investment Securities (Debt)                             | -                | -              | -              | -                |
| - Loan Commitments and Financial Guarantees                | (29)             | 29             | 0              | <b>(0)</b>       |
| - Due from Banks, Central Banks and Other Financial Assets | -                | -              | -              | -                |
|  | <b>79</b>        | <b>(176)</b>   | <b>97</b>      | -                |
| <b>Charge for the year (net)</b>                           |                  |                |                |                  |
| - Loans and Advances to Customers                          | 724              | 4,848          | 2,173          | <b>7,745</b>     |
| - Investment Securities (Debt)                             | (3)              | -              | -              | <b>(3)</b>       |
| - Loan Commitments and Financial Guarantees                | 3                | 18             | (0)            | <b>21</b>        |
| - Due from Banks, Central Banks and Other Financial Assets | (141)            | -              | -              | <b>(141)</b>     |
|  | <b>583</b>       | <b>4,866</b>   | <b>2,173</b>   | <b>7,622</b>     |
| <b>Acquisition related adjustments</b>                     |                  |                |                |                  |
| - Loans and Advances to Customers                          | 1,642            | 4,867          | 12,678         | <b>19,187</b>    |
| - Investment Securities (Debt)                             | 10               | -              | -              | <b>10</b>        |
| - Loan Commitments and Financial Guarantees                | 64               | 53             | 504            | <b>621</b>       |
| - Due from Banks, Central Banks and Other Financial Assets | 1                | -              | -              | <b>1</b>         |
|  | <b>1,717</b>     | <b>4,920</b>   | <b>13,182</b>  | <b>19,819</b>    |
| <b>Closing balance as at 30 June 2020 (consolidated)</b>   |                  |                |                |                  |
| - Loans and Advances to Customers                          | 9,475            | 24,483         | 39,437         | <b>73,395</b>    |
| - Investment Securities (Debt)                             | 74               | -              | -              | <b>74</b>        |
| - Loan Commitments and Financial Guarantees                | 529              | 234            | 504            | <b>1,267</b>     |
| - Due from Banks, Central Banks and Other Financial Assets | 214              | -              | -              | <b>214</b>       |
|  | <b>10,292</b>    | <b>24,717</b>  | <b>39,941</b>  | <b>74,950</b>    |



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**7 Loans, advances and financing activities for customers (continued)**

**7 a) Movement in Expected credit losses (ECL) (continued)**

| <b>30 June 2019 (OAB SAOC)</b>                             | <b>Stage 1<br/>RO 000</b> | <b>Stage 2<br/>RO 000</b> | <b>Stage 3<br/>RO 000</b> | <b>Total<br/>RO 000</b> |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Exposure subject to ECL</b>                             |                           |                           |                           |                         |
| - Loans and Advances to Customers                          | 1,475,398                 | 472,585                   | 65,341                    | <b>2,013,324</b>        |
| - Investment Securities (Debt)                             | 12,323                    | -                         | -                         | <b>12,323</b>           |
| - Loan Commitments and Financial Guarantees                | 475,320                   | 474,954                   | 5,848                     | <b>956,122</b>          |
| - Due from Banks, Central Banks and Other Financial Assets | 510,947                   | -                         | -                         | <b>510,947</b>          |
|  | <b>2,473,988</b>          | <b>947,539</b>            | <b>71,189</b>             | <b>3,492,716</b>        |
| <b>Opening Balance - as at 1 January 2019</b>              |                           |                           |                           |                         |
| - Loans and Advances to Customers                          | 7,177                     | 24,060                    | 15,847                    | <b>47,084</b>           |
| - Investment Securities (Debt)                             | 12                        | -                         | -                         | <b>12</b>               |
| - Loan Commitments and Financial Guarantees                | 144                       | 353                       | -                         | <b>497</b>              |
| - Due from Banks, Central Banks and Other Financial Assets | 538                       | -                         | -                         | <b>538</b>              |
|  | <b>7,871</b>              | <b>24,413</b>             | <b>15,847</b>             | <b>48,131</b>           |
| <b>Net transfer between stages</b>                         |                           |                           |                           |                         |
| - Loans and Advances to Customers                          | (58)                      | (6,798)                   | 6,856                     | -                       |
| - Investment Securities (Debt)                             | -                         | -                         | -                         | -                       |
| - Loan Commitments and Financial Guarantees                | -                         | -                         | -                         | -                       |
| - Due from Banks, Central Banks and Other Financial Assets | -                         | -                         | -                         | -                       |
|  | <b>(58)</b>               | <b>(6,798)</b>            | <b>6,856</b>              | -                       |
| <b>Charge for the Period (net)</b>                         |                           |                           |                           |                         |
| - Loans and Advances to Customers                          | 1,845                     | 1,651                     | 1,720                     | <b>5,216</b>            |
| - Investment Securities (Debt)                             | 35                        | -                         | -                         | <b>35</b>               |
| - Loan Commitments and Financial Guarantees                | 71                        | (70)                      | -                         | <b>1</b>                |
| - Due from Banks, Central Banks and Other Financial Assets | (111)                     | -                         | -                         | <b>(111)</b>            |
|  | <b>1,840</b>              | <b>1,581</b>              | <b>1,720</b>              | <b>5,141</b>            |
| <b>Closing Balance - as at 30 June 2019</b>                |                           |                           |                           |                         |
| - Loans and Advances to Customers                          | 8,963                     | 18,913                    | 24,424                    | <b>52,300</b>           |
| - Investment Securities (Debt)                             | 47                        | -                         | -                         | <b>47</b>               |
| - Loan Commitments and Financial Guarantees                | 215                       | 281                       | -                         | <b>496</b>              |
| - Due from Banks, Central Banks and Other Financial Assets | 427                       | -                         | -                         | <b>427</b>              |
|  | <b>9,652</b>              | <b>19,194</b>             | <b>24,424</b>             | <b>53,270</b>           |

**7 b) Impairment charge and provisions held**

|   | <b>As per CBO<br/>Norms</b> | <b>As per<br/>IFRS 9</b> | <b>RO 000<br/>Difference</b> |
|---|-----------------------------|--------------------------|------------------------------|
| Impairment loss charged to profit and loss account      | (9,237)                     | (9,237)                  | -                            |
| Provisions required as per CBO norms/held as per IFRS 9 | 77,293                      | 75,475                   | (1,818)                      |
| Gross NPL ratio   | 3.66%                       | 3.66%                    |                              |
| Net NPL ratio   | 1.98%                       | 2.15%                    |                              |

The Central Bank of Oman regulation requires that the allowance for credit loss loan should be in accordance with IFRS 9 and if the provision requirement in accordance with the Central Bank of Oman guidelines is higher than IFRS 9, the difference net of tax needs to be transferred to the "Impairment Reserve" as an appropriation from net profit after tax. As at 30 June 2020, the balance under impairment reserve is RO 9,130 thousand, which is adequate to cover the above reserve requirement.



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**8 Investment securities**

|  | <b>Consolidated<br/>Unaudited<br/>Carrying value<br/>30-Jun-20</b> | <b>OAB SAOC<br/>Unaudited<br/>Carrying value<br/>30-Jun-19</b> | <b>OAB SAOC<br/>Audited<br/>Carrying value<br/>31-Dec-19</b> |
|--|--|--|--|
| <b>Fair value through profit and loss(FVTPL)</b> |  |  |  |
| <b>Quoted investments- Oman</b>                  |  |  |  |
| Banking and investment sector                    | 3,370  | 3,777  | 3,754  |
|  | <b>3,370</b>   | <b>3,777</b>   | <b>3,754</b>   |
| <b>Quoted investments- Foreign</b>               |  |  |  |
| Banking and investment sector                    | 143  | 166  | 165  |
| <b>Total FVTPL</b>                               | <b>3,513</b>   | <b>3,943</b>   | <b>3,919</b>   |
| <b>Investment measured at FVOCI</b>              |  |  |  |
| <b>Quoted investments- Oman</b>                  |  |  |  |
| Banking and investment sector                    | 3,374  | -  | 216  |
| Manufacturing sector                             | 788  | 906  | 784  |
| Service sector                                   | 576  | 824  | 802  |
|  | <b>4,738</b>   | <b>1,730</b>   | <b>1,802</b>   |
| <b>Quoted investments- Foreign</b>               |  |  |  |
| Banking and investment sector                    | 1,150  | 743  | 807  |
| Service sector                                   | 92   | 142  | 130  |
|  | <b>1,242</b>   | <b>885</b>   | <b>937</b>   |
| <b>Unquoted investments</b>                      |  |  |  |
| Banking and investment sector                    | 575  | 613  | 593  |
| Manufacturing sector                             | -  | 113  | -  |
| Service sector                                   | 169  | 169  | 169  |
|  | <b>744</b>   | <b>895</b>   | <b>762</b>   |
| <b>Total FVOCI</b>                               | <b>6,724</b>   | <b>3,510</b>   | <b>3,501</b>   |
| <b>Investment measured at amortised cost</b>     |  |  |  |
| <b>Quoted investments- Oman</b>                  |  |  |  |
| Government Development Bonds                     | 159,998  | 130,526  | 143,994  |
| Oman Treasury Bills                              | 4,999  | -  | -  |
| Government Sukuk                                 | 41,127   | 636  | 3,172  |
| Corporate Bonds                                  | 9,346  | 11,692   | 10,836   |
| <b>Total amortised cost</b>                      | <b>215,470</b>   | <b>142,854</b>   | <b>158,002</b>   |
| <b>Total financial investments</b>               | <b>225,707</b>   | <b>150,307</b>   | <b>165,422</b>   |





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**8 Investment securities (continued)**

**Details of significant investments**

Details of investments exceeding 10 per cent of the carrying value of the bank's investment are as follows:

| <b><u>Consolidated</u></b>               | <b><i>Bank's portfolio</i></b> | <b><i>Carrying value</i></b> |
|--|--------------------------------|------------------------------|
| <b><i>30 June 2020 (Unaudited)</i></b>   | <b><i>%</i></b>                | <b><i>RO'000</i></b>         |
| <b>Government Development Bonds</b>      | <b>71%</b>                     | <b>159,998</b>               |
| <b>Government sukuku</b>                 | <b>18%</b>                     | <b>41,127</b>                |
| <br><b><u>OAB SAOC</u></b>               |                                |                              |
| <b><i>30 June 2019 (Unaudited)</i></b>   |                                |                              |
| Government Development Bonds             | 87%                            | 130,526                      |
| <br><b><u>OAB SAOC</u></b>               |                                |                              |
| <b><i>31 December 2019 (audited)</i></b> |                                |                              |
| Government Development Bonds             | 89%                            | 143,994                      |

**9 Other assets**

|  | <b><u>Consolidated</u></b> | <b><u>OAB SAOC</u></b>  | <b><u>OAB SAOC</u></b>  |
|--|----------------------------|-------------------------|-------------------------|
|  | <b><i>Unaudited</i></b>    | <b><i>Unaudited</i></b> | <b><i>Audited</i></b>   |
|  | <b><i>30-Jun-20</i></b>    | <b><i>30-Jun-19</i></b> | <b><i>31-Dec-19</i></b> |
|  | <b><i>RO'000</i></b>       | <b><i>RO'000</i></b>    | <b><i>RO'000</i></b>    |
| Interest and commission receivable             | <b>40,773</b>              | 23,792                  | 24,848                  |
| Acceptances                                    | <b>24,180</b>              | 20,048                  | 21,988                  |
| Prepayments                                    | <b>4,569</b>               | 2,859                   | 2,825                   |
| Credit card settlement                         | <b>360</b>                 | 1,053                   | 1,237                   |
| Positive Fair Value change - Forward contracts | <b>1,080</b>               | 704                     | 226                     |
| Others   | <b>9,778</b>               | 2,918                   | 4,062                   |
|  | <b>80,740</b>              | <b>51,374</b>           | <b>55,186</b>           |



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**10 Property and equipment**

|                                  | Land and<br>buildings | Computer<br>equipment | Furniture<br>and<br>fixture | Motor<br>Vehicles | Capital<br>WIP | Right-<br>of-use<br>assets | Total<br>RO<br>000 |
|----------------------------------|-----------------------|-----------------------|-----------------------------|-------------------|----------------|----------------------------|--------------------|
|                                  | RO 000                | RO 000                | RO 000                      | RO 000            | RO 000         | RO 000                     | RO 000             |
| <b>Cost</b>                      |                       |                       |                             |                   |                |                            |                    |
| At 1 January 2020                | 21,743                | 20,997                | 13,682                      | 357               | 5,972          | 8,609                      | 71,360             |
| Additions                        | -                     | 1,115                 | 607                         | -                 | 2,324          | -                          | 4,046              |
| Transfers                        | -                     | 72                    | 9                           | -                 | (81)           | -                          | -                  |
| Disposals                        | -                     | (3,394)               | (659)                       | (38)              | -              | -                          | (4,091)            |
| Acquisition<br>adjustment        | -                     | 2,353                 | 1,005                       | -                 | 101            | 7,421                      | 10,880             |
| At 30 June 2020                  | 21,743                | 21,143                | 14,644                      | 319               | 8,316          | 16,030                     | 82,195             |
| <b>Depreciation</b>              |                       |                       |                             |                   |                |                            |                    |
| At 1 January 2020                | 3,908                 | 15,761                | 9,950                       | 294               | -              | 1,722                      | 31,635             |
| Charge for the<br>period         | 299                   | 1,219                 | 462                         | 274               | -              | 861                        | 3,115              |
| Disposals                        | -                     | (3,345)               | (657)                       | (38)              | -              | -                          | (4,040)            |
| Acquisition<br>adjustment        | -                     | 1,840                 | 856                         | -                 | -              | 4,623                      | 7,319              |
| At 30 June 2020                  | 4,207                 | 15,475                | 10,611                      | 530               | -              | 7,206                      | 38,029             |
| <b>Net book value</b>            |                       |                       |                             |                   |                |                            |                    |
| At 30 June 2020<br>(Unaudited)   | <b>17,536</b>         | <b>5,668</b>          | <b>4,033</b>                | <b>(211)</b>      | <b>8,316</b>   | <b>8,824</b>               | <b>44,166</b>      |
| At 30 June 2019<br>(Unaudited)   | 18,096                | 5,162                 | 4,003                       | 44                | 2,078          | 10,336                     | 39,719             |
| At 31 December<br>2019 (audited) | 17,835                | 5,236                 | 3,732                       | 63                | 5,972          | 6,887                      | 39,725             |

During the six months ended 30 June 2020, the Bank acquired assets with a cost of RO 10,880 thousand. This amount excludes any capitalised borrowing cost.

**11 Due to banks**

|                                       | <b>Consolidated<br/>Unaudited<br/>30-Jun-20<br/>RO'000</b> | <b>OAB SAOC<br/>Unaudited<br/>30-Jun-19<br/>RO'000</b> | <b>OAB SAOC<br/>Audited<br/>31-Dec-19<br/>RO'000</b> |
|---------------------------------------|--|--|--|
| Current accounts                      | 11,286   | 2,936  | 7,725  |
| Money at call and short term deposits | 34,203   | 64,000   | 23,740   |
| Repurchase agreements                 | -  | 30,000   | -  |
|                                       | <b>45,489</b>  | <b>96,936</b>  | <b>31,465</b>  |

**12 Customers' deposits**

|                          | <b>Consolidated<br/>Unaudited<br/>30-Jun-20<br/>RO'000</b> | <b>OAB SAOC<br/>Unaudited<br/>30-Jun-19<br/>RO'000</b> | <b>OAB SAOC<br/>Audited<br/>31-Dec-19<br/>RO'000</b> |
|--------------------------|--|--|--|
| Demand and call accounts | 839,394  | 702,477  | 777,386  |
| Term deposits            | 1,242,181  | 932,022  | 914,079  |
| Savings accounts         | 499,091  | 302,775  | 306,971  |
|                          | <b>2,580,666</b>   | <b>1,937,274</b>                                       | <b>1,998,436</b>                                     |



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**13 Other liabilities**

|  | <b>Consolidated</b> | <b>OAB SAOC</b>  | <b>OAB SAOC</b>  |
|--|---------------------|------------------|------------------|
|  | <i>Unaudited</i>    | <i>Unaudited</i> | <i>Audited</i>   |
|  | <b>30-Jun-20</b>    | <b>30-Jun-19</b> | <b>31-Dec-19</b> |
|  | <b>RO'000</b>       | <b>RO'000</b>    | <b>RO'000</b>    |
| Interest Payable                               | <b>33,080</b>       | 23,243           | 24,251           |
| Liabilities under acceptances                  | <b>24,180</b>       | 20,048           | 21,988           |
| Accrued expenses and others                    | <b>17,017</b>       | 8,046            | 11,409           |
| Acceptances and certified cheques              | <b>2,218</b>        | 2,291            | 2,756            |
| Interest and commission received in advance    | <b>2,494</b>        | 1,877            | 2,858            |
| Staff related provisions                       | <b>1,457</b>        | 930              | 910              |
| Credit card settlement                         | <b>246</b>          | 576              | 291              |
| Negative Fair Value change - Forward contracts | <b>316</b>          | 384              | 196              |
| Lease Liability                                | <b>6,026</b>        | 10,336           | 7,039            |
|  | <b>87,034</b>       | <b>67,731</b>    | <b>71,698</b>    |

**14 Subordinated debt**

In order to enhance the capital adequacy and to meet the funding requirements, the Bank has raised capital in the form of subordinated loans.

|                     | <b>Consolidated</b> | <b>OAB SAOC</b>  | <b>OAB SAOC</b>  |
|---------------------|---------------------|------------------|------------------|
|                     | <i>Unaudited</i>    | <i>Unaudited</i> | <i>Audited</i>   |
|                     | <b>30-Jun-20</b>    | <b>30-Jun-19</b> | <b>31-Dec-19</b> |
|                     | <b>RO'000</b>       | <b>RO'000</b>    | <b>RO'000</b>    |
| Opening and closing | <b>20,000</b>       | 20,000           | 20,000           |
|                     | <b>20,000</b>       | <b>20,000</b>    | <b>20,000</b>    |

The Bank obtained subordinated loans of RO 20 Million, which comply with Basel III requirements for tier-2 capital, for a tenor of five years and six months in November 2015. The loans carry a fixed rate of 5.5 per cent per annum, payable semi-annually with the principal payable on maturity.

**15 (a) Share capital**

The authorized capital of the Bank is RO 200,000,000. Before acquisition of Alizz Islamic Bank SAOG, the Bank has issued, subscribed and fully paid 1,346,200,000 equity share of 100 baisa each. On 30 June 2020, the Bank issued additional 323,210,000 equity shares to the shareholders of Alizz Islamic Bank as a consideration for acquisition of 99.98 per cent control. Subsequently, the issued, subscribed and fully paid up share capital is comprising of 1,669,410,000 equity shares of 100 baisa each (2019: 1,346,200,000).

|  |               |
|--|---------------|
| Number of shares of 100 Baiza each issued to shareholders of Alizz Bank SAOG | 323,210,000   |
| Number of shares of 100 Baiza each pre-merger of Oman Arab Bank SAOC         | 1,346,200,000 |
| Total number of shares post merger of Oman Arab Bank SAOG of 100 Baiza each  | 1,669,410,000 |

|  | <b>Shareholding %</b> | <b>Shares</b>        | <b>RO 000</b>     |
|--|-----------------------|----------------------|-------------------|
| Arab Bank Plc  | 49.00%                | 818,010,900          | 81,801.09         |
| Oman International Development & Investment Co. SAOG | 31.64%                | 528,189,100          | 52,818.91         |
| Various parties, including Trusts                    | 19.36%                | 323,210,000          | 32,321.00         |
|  | <b>100.00%</b>        | <b>1,669,410,000</b> | <b>166,941.00</b> |



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**15 (b) Share premium**

On 30 June 2020, the Bank acquired net assets worth of RO 69,486 thousand (refer note 3 and 15). The consideration for this acquisition was partially through issuance of 32,321,000 equity shares of 100 baisa each and the balance through share premium. Below is the quick summary of the reported share premium in the statement of financial position and statement of changes in equity:

|   | <b>RO'000</b> |
|---|---------------|
| Net assets acquired as 30 June 2020 - A                             | 69,486        |
| Issuance of equity shares (32,321,000 shares of 100 baisa each) - B | 32,321        |
| Reserve movement - C  | 600           |
| Share premium (A – B - C)   | 36,565        |

**16 Legal reserve**

Article 132 of the Commercial Companies Law requires that company shall in each financial year, set aside 10 per cent of the net profits, after deduction of taxes, for establishing a legal reserve until such legal reserve amounts to at least one third of the company's share capital. Such legal reserve may be used for covering the company's losses and the increase of its share capital by way of issuing shares and it shall not be distributed to the shareholders as dividends except where the company reduces its share capital, provided that the legal reserve shall not be less than one third of the share capital after the reduction.

**17 Other non-distributable reserves**

|                               | <b>Subordinated<br/>debt reserve<br/>RO'000</b> | <b>Special<br/>reserve<br/>RO'000</b> | <b>Total<br/>RO'000</b> |
|-------------------------------|---|---------------------------------------|-------------------------|
| At 1 January 2020             | 16,000  | 3,915                                 | 19,915                  |
| Acquisition adjustments       | -   | 600                                   | 600                     |
| <b>At 30 June 2020</b>        | <b>16,000</b>                                   | <b>4,515</b>                          | <b>20,515</b>           |
| At 30 June 2019               | 12,000  | 3,915                                 | 15,915                  |
| At 31 December 2019 (audited) | 16,000  | 3,915                                 | 19,915                  |

- a) The subordinated debt reserve has been created by a transfer of 20 per cent of the subordinated loans of the profit before tax for the year. The Central Bank requires a reserve to be set aside annually for the subordinated loans which are due to mature within five years. The reserve is available for transfer back to retained earnings upon maturity of the subordinated loans.
- b) During 2015 the Bank sold its old head office premises at Ruwi. Following its move to the new premises at Al Ghoubra, the profit on sale of the premises of RO 2.4 million has been set aside as a special reserve, which requires prior approval of the Central Bank of Oman for any distribution.

The Central Bank of Oman via circular BSD/CB/FLC/2018/15 dispensed with the specific provision / special reserve requirements of 15 per cent applicable to restructured accounts other than non-performing loans. The circular further states that the existing balance of reserves required under circulars namely BSD/2016/BKUP/Banks-FLCs/447 and BSD/2017/BKUP/Banks-FLCs/467, would continue until such loans are upgraded. Accordingly, the existing amount of RO 1.5 million (June 2019: RO 1.5 million) is included in the special reserve.



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## 18 Tier 1 Perpetual Bonds

On 29 December 2016, the Bank issued unsecured perpetual Tier 1 bonds of RO 30 million (30,000,000 units of RO 1 each through private placement). The bonds are listed on the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate of 7.75 per cent per annum payable semi-annually in arrears and treated as deduction from equity for capital adequacy. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and Central Bank of Oman regulation.

Additionally, on 17 October 2018, the Bank issued another series of unsecured perpetual Tier 1 bonds of RO 42.5 million (42,553,000 units of RO 1 each through private placement). The bonds carry a fixed coupon rate of 7.5 per cent per annum payable semi-annually in arrears and treated as deduction from equity for capital adequacy. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue.

The Tier 1 bonds constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion on 29 January 2021 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

## 19 Interest income

|                                     | <b>Six months ended</b> |                  | <b>Three months ended</b> |                  |
|-------------------------------------|-------------------------|------------------|---------------------------|------------------|
|                                     | <b>Consolidated</b>     | <b>OAB SAOC</b>  | <b>Consolidated</b>       | <b>OAB SAOC</b>  |
|                                     | Unaudited               |                  | Unaudited                 |                  |
|                                     | <b>30-Jun-20</b>        | <b>30-Jun-19</b> | <b>30-Jun-20</b>          | <b>30-Jun-19</b> |
|                                     | <b>RO'000</b>           | <b>RO'000</b>    | <b>RO'000</b>             | <b>RO'000</b>    |
| Loans and advances                  | <b>54,545</b>           | 50,823           | <b>27,017</b>             | 26,127           |
| Placements with banks               | <b>936</b>              | 1,070            | <b>425</b>                | 670              |
| Interest from investment securities | <b>4,305</b>            | 3,474            | <b>2,213</b>              | 1,741            |
|                                     | <b>59,786</b>           | 55,367           | <b>29,655</b>             | 28,538           |

Interest bearing assets earned interest at an average rate of 5.43 per cent for the six months ended 30 June 2020 (30 June 2019: 5.23 per cent).

## 20 Interest expense

|                                    | <b>Six months ended</b> |                  | <b>Three months ended</b> |                  |
|------------------------------------|-------------------------|------------------|---------------------------|------------------|
|                                    | <b>Consolidated</b>     | <b>OAB SAOC</b>  | <b>Consolidated</b>       | <b>OAB SAOC</b>  |
|                                    | Unaudited               |                  | Unaudited                 |                  |
|                                    | <b>30-Jun-20</b>        | <b>30-Jun-19</b> | <b>30-Jun-20</b>          | <b>30-Jun-19</b> |
|                                    | <b>RO'000</b>           | <b>RO'000</b>    | <b>RO'000</b>             | <b>RO'000</b>    |
| Time deposits                      | <b>16,610</b>           | 15,609           | <b>8,031</b>              | 8,115            |
| Subordinated bonds                 | <b>548</b>              | 545              | <b>274</b>                | 274              |
| Saving, call accounts & others     | <b>4,402</b>            | 3,721            | <b>2,345</b>              | 1,891            |
| Interest cost on lease liabilities | <b>151</b>              | 102              | <b>73</b>                 | 51               |
|                                    | <b>21,711</b>           | 19,977           | <b>10,723</b>             | 10,331           |

For the six months ended 30 June 2020, the average cost of funds was 2.17 per cent (30 June 2019: 1.95 per cent).



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**21 Other operating income**

|                      | <i>Six months ended</i> |                  | <i>Three months ended</i> |                  |
|----------------------|-------------------------|------------------|---------------------------|------------------|
|                      | <i>OAB</i>              |                  | <i>OAB</i>                |                  |
|                      | <i>Consolidated</i>     | <i>SAOC</i>      | <i>Consolidated</i>       | <i>SAOC</i>      |
|                      |                         | <i>Unaudited</i> |                           | <i>Unaudited</i> |
|                      | <i>30-Jun-20</i>        | <i>30-Jun-19</i> | <i>30-Jun-20</i>          | <i>30-Jun-19</i> |
|                      | <i>RO'000</i>           | <i>RO'000</i>    | <i>RO'000</i>             | <i>RO'000</i>    |
| Fees and commissions | 4,734                   | 6,974            | 1,941                     | 3,418            |
| Exchange income      | 3,128                   | 2,924            | 1,476                     | 1,360            |
| Other income         | 25                      | 75               | 11                        | 13               |
|                      | <b>7,887</b>            | <b>9,973</b>     | <b>3,428</b>              | <b>4,791</b>     |



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**22 Asset liability gap**

The Bank's maturity position of assets and liabilities is given below:

**Consolidated**  
**30 June 2020**  
**(Unaudited)**

| <i>Maturities</i> | <i>Assets</i><br>RO'000 | <i>Equity,<br/>subordinated<br/>funds and<br/>liabilities</i><br>RO'000 | <i>Gap</i><br>RO'000 | <i>Cumulative<br/>Gap</i><br>RO'000 |
|-------------------|-------------------------|---|----------------------|-------------------------------------|
| 0 - 3 month       | 986,680                 | 588,234   | 398,446              | 699,507                             |
| 3 - 12 month      | 510,015                 | 924,519   | (414,504)            | 561,627                             |
| 1 – 5 years       | 796,618                 | 994,712   | (198,094)            | (463,101)                           |
| More than 5 years | 1,342,882               | 1,132,525   | 210,357              | (3,795)                             |
| <b>Total</b>      | <b>3,636,195</b>        | <b>3,639,990</b>  | <b>(3,795)</b>       |                                     |

**OAB SAOC**  
**30 June 2019**  
**(Unaudited)**

| <i>Maturities</i> | <i>Assets</i><br>RO'000 | <i>Equity,<br/>subordinated<br/>funds and<br/>liabilities</i><br>RO'000 | <i>Gap</i><br>RO'000 | <i>Cumulative<br/>Gap</i><br>RO'000 |
|-------------------|-------------------------|---|----------------------|-------------------------------------|
| 0 - 3 month       | 1,021,836               | 708,902   | 312,934              | 671,048                             |
| 3 - 12 month      | 294,532                 | 740,192   | (445,660)            | 137,731                             |
| 1 – 5 years       | 521,666                 | 597,862   | (76,196)             | (578,286)                           |
| More than 5 years | 1,021,690               | 817,012   | 204,678              | (4,244)                             |
| <b>Total</b>      | <b>2,859,724</b>        | <b>2,863,968</b>  | <b>(4,244)</b>       |                                     |

**OAB SAOC**  
**31 December 2019**  
**(audited)**

| <i>Maturities</i> | <i>Assets</i><br>RO'000 | <i>Equity,<br/>subordinated<br/>funds and<br/>liabilities</i><br>RO'000 | <i>Gap</i><br>RO'000 | <i>Cumulative<br/>Gap</i><br>RO'000 |
|-------------------|-------------------------|---|----------------------|-------------------------------------|
| 0 - 3 month       | 937,190                 | 433,191   | 503,999              | 908,109                             |
| 3 - 12 month      | 213,668                 | 732,841   | (519,173)            | 402,669                             |
| 1 – 5 years       | 574,174                 | 627,014   | (52,840)             | (295,185)                           |
| More than 5 years | 1,057,030               | 992,753   | 64,277               | (3,737)                             |
| <b>Total</b>      | <b>2,782,062</b>        | <b>2,785,799</b>  | <b>(3,737)</b>       |                                     |



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### 23 Related party transactions

Oman Arab Bank has a management agreement with Arab Bank Plc Jordan, which owns 49 per cent of the Bank's share capital. In accordance with the terms of the management agreement, Arab Bank Plc Jordan provides banking related technical assistance and other management services, including the secondment of managerial staff. The annual fee payable to Arab Bank is 0.3 per cent of the Bank's net profit after tax.

The Bank accepts deposits from its directors and other related concerns including its affiliate banks. Similarly, the Bank provides loans and advances, and other banking services to these parties. These transactions are entered into in the normal course of the Bank's business, on an arm's length basis at open market prices. All loans and advances to related parties are performing advances and are free of any provision for possible credit losses. At 30 June 2020, balances with directors and other related parties were as follows:

| <u>Related party transactions</u>                | Jun-20<br>RO' 000     |        | Jun-19<br>RO' 000     |        |
|--|-----------------------|--------|-----------------------|--------|
|  | Major<br>Shareholders | Others | Major<br>Shareholders | Others |
| Loans and advances                               | 20,000                | 73,276 | 1                     | 58,201 |
| Customers' deposits                              | 22,701                | 36,156 | 324                   | 28,992 |
| Due from banks                                   | 3,138                 | -      | 23,177                | -      |
| Due to banks                                     | 6,604                 | -      | 1,491                 | -      |
| Stand by line of credit                          | 38,500                | -      | 38,500                | -      |
| Letters of credit, guarantees<br>and acceptances | 100,962               | 6,443  | 125,952               | 832    |

The statement of comprehensive income includes the following amounts in relation to the transactions with related parties:

|                                  | Jun-20<br>RO' 000     |        | Jun-19<br>RO' 000     |        |
|----------------------------------|-----------------------|--------|-----------------------|--------|
|                                  | Major<br>Shareholders | Others | Major<br>Shareholders | Others |
| Interest & commission income     | 114                   | 1,617  | 187                   | 1,435  |
| Interest & commission<br>expense | 258                   | 447    | 224                   | 363    |

### Senior management compensation

|  | Unaudited<br>30-Jun-20<br>RO'000 | Unaudited<br>30-Jun-19<br>RO'000 |
|--|----------------------------------|----------------------------------|
| Salaries and other short term benefits | 765                              | 704                              |
| End of service benefits                | 9                                | 37                               |
|  | <b>774</b>                       | <b>741</b>                       |

Related parties comprise major shareholders, directors and key management personnel of the Bank, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Bank and Shari'a supervisory board.





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**23 Related party transactions (continued)**

The significant Islamic exposures with related parties at reporting date were as follows:

|   | <u>Directors</u> | <u>Other related parties</u> | <u>Total</u>     |
|---|------------------|------------------------------|------------------|
|   | <u>30 June</u>   | <u>30 June</u>               | <u>30 June</u>   |
|   | <u>2020</u>      | <u>2020</u>                  | <u>2020</u>      |
|   | <u>RO</u>        | <u>RO</u>                    | <u>RO</u>        |
| <b>Assets:</b>  |                  |                              |                  |
| Wakala bil Istithmar                                    | -                | 6,564,942                    | 6,564,942        |
| Murabaha receivables                                    | -                | 74,274                       | 74,274           |
| Ijarah assets-Ijarah muntahia bittamleek                | -                | 458,285                      | 458,285          |
| Other assets  | 5,235            | 27,021                       | 32,256           |
|   | <u>5,235</u>     | <u>7,124,522</u>             | <u>7,129,757</u> |
| <b>Liabilities:</b>                                     |                  |                              |                  |
| Current account   | 23,485           | 1,084,848                    | 1,108,333        |
|   | <u>23,485</u>    | <u>1,084,848</u>             | <u>1,108,333</u> |
| <b>Equity of unrestricted investment accountholders</b> | <u>1,641</u>     | <u>75,522</u>                | <u>77,163</u>    |
| <b>Contingent Liabilities and Commitments</b>           | <u>-</u>         | <u>539,000</u>               | <u>539,000</u>   |

**24 Contingencies and commitments**

**(a) Contingent Liabilities**

The Bank is a party to financial instrument with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit, financial guarantees to third parties, commitments to extend credit and others. The Bank's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract value or the notional amount of the instrument. However, generally the credit risk on these transactions is lower than the contract value or the notional amount. In addition, some commitments to extend credit can be cancelled or revoked at any time at the Banks option.

The risk involved is essentially the same as the credit risk involved in extending loan facilities and therefore these transactions are subject to the same credit organisation, portfolio maintenance and collateral requirements for customers applying for loans and advances. The outstanding contract value or the notional amounts of these instruments at 30 June 2020 were as follows:

|                                   | <b>Consolidated</b> | <b>OAB SAOC</b>  | <b>OAB SAOC</b>  |
|-----------------------------------|---------------------|------------------|------------------|
|                                   | <b>Unaudited</b>    | <b>Unaudited</b> | <b>Audited</b>   |
|                                   | <b>30-Jun-20</b>    | <b>30-Jun-19</b> | <b>31-Dec-19</b> |
|                                   | <b>RO'000</b>       | <b>RO'000</b>    | <b>RO'000</b>    |
| Letters of credit                 | 65,151              | 221,097          | 162,993          |
| Guarantees                        | 511,771             | 559,359          | 557,036          |
| Irrevocable financing commitments | 20,482              | -                | -                |
|                                   | <u>597,404</u>      | <u>780,456</u>   | <u>720,029</u>   |



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**24 Contingencies and commitments (continued)**

The irrevocable financing commitments pertains to subsidies, which have been added post merger. Letters of credit and guarantees amounting to RO 470,922,270 (30 June 2019: RO 439,128,868; 31 December 2019: RO 380,730,129) were counter guaranteed by other banks.

**(b) Forward foreign exchange contracts**

At the balance sheet date, there were outstanding forward foreign exchange contracts, all maturing within one year, on behalf of customers for the sale and purchase of foreign currencies. The contract values are summarised below:

|           | <b>Consolidated<br/>Unaudited<br/>30-Jun-20<br/>RO'000</b> | <b>OAB SAOC<br/>Unaudited<br/>30-Jun-19<br/>RO'000</b> | <b>OAB SAOC<br/>Audited<br/>31-Dec-19<br/>RO'000</b> |
|-----------|--|--|--|
| sales     | <b>166,411</b>   | 179,726  | 86,043   |
| purchases | <b>(166,796)</b>   | (180,045)  | (86,074)   |
|           | <b>(385)</b>   | (319)  | (31)   |

**25 Basic Earnings per share**

|   | <b>Unaudited<br/>30-Jun-20</b> | <b>Unaudited<br/>30-Jun-19</b> |
|---|--------------------------------|--------------------------------|
| Profit for the period (RO'000)                                | <b>10,385</b>                  | 14,745                         |
| Less: Interest on tier 1 perpetual bond                       | <b>(2,758)</b>                 | (2,776)                        |
| Profit attributable to shareholders                           | <b>7,627</b>                   | 11,969                         |
| Weighted average number of shares outstanding during the year | <b>1,669,410,000</b>           | 1,346,200,000                  |
| Basic and diluted earnings per share:                         |                                |                                |
| - for the period (RO)   | <b>0.005</b>                   | 0.009                          |
| - annualised (RO)   | <b>0.009</b>                   | 0.018                          |

On 30 June 2020, the Bank issued additional 323,210,000 ordinary equity shares to the shareholders of Alizz Islamic Bank SAOG post acquiring 99.98 per cent control over Alizz Islamic Bank.

The par value of each share is 100 Baisas. The basic earnings per share is the profit for the period divided by the weighted average number of shares outstanding.

**26 Capital adequacy**

The principal objective of the Central Bank of Oman's (CBO) capital adequacy requirement is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a bank's balance sheet, in particular credit risk. CBO's risk based capital adequacy framework is consistent with the international standards of the Bank of International Settlement (BIS).

CBO requires the registered banks in the Sultanate of Oman to maintain minimum capital adequacy of 11 per cent based on letter BSD/2018/1 dated 20 March 2018. Additionally, the CAR threshold requires a capital conservation buffer (CCB) of 2.5 per cent annually in addition to a 1 per cent of prompt corrective action. However the circular BSD/CB/2020/001 dated 18 March 2020, relaxed the CCB requirements to 1.25 per cent and accordingly the minimum capital adequacy requirement has been reduced respectively.



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**26 Capital adequacy (continued)**

The ratio calculated in accordance with the CBO and BIS capital adequacy guidelines is as follows:

|                                      | <b>Consolidated</b> | <b>OAB SAOC</b>  | <b>OAB SAOC</b>  |
|--------------------------------------|---------------------|------------------|------------------|
|                                      | <b>30-Jun-20</b>    | <b>30-Jun-19</b> | <b>31-Dec-19</b> |
|                                      | <b>RO'000</b>       | <b>RO'000</b>    | <b>RO'000</b>    |
| <b>Capital</b>                       |                     |                  |                  |
| Common Equity Tier 1 (CET 1)         | <b>335,302</b>      | 267,942          | 270,283          |
| Additional Tier 1                    | <b>72,553</b>       | 72,553           | 72,553           |
| Total Tier 1                         | <b>407,855</b>      | 340,495          | 342,836          |
| Tier II                              | <b>25,257</b>       | 28,756           | 21,206           |
| Total capital base                   | <b>433,112</b>      | 369,251          | 364,042          |
| <b>Risk Weighted Assets</b>          |                     |                  |                  |
| Credit risk                          | <b>2,631,857</b>    | 2,269,301        | 2,215,780        |
| Market risk                          | <b>28,426</b>       | 28,988           | 18,288           |
| Operation risk                       | <b>196,590</b>      | 148,375          | 161,463          |
| Total risk weighted assets           | <b>2,856,873</b>    | 2,446,664        | 2,395,531        |
| <b>BIS Capital Adequacy Ratio</b>    | <b>15.16%</b>       | 15.09%           | 15.20%           |
| <b>Tier 1 Capital Adequacy Ratio</b> | <b>14.28%</b>       | 13.92%           | 14.31%           |
| <b>Common Equity Tier 1 Ratio</b>    | <b>11.74%</b>       | 10.95%           | 11.28%           |

**27 Segmental information**

The Bank operates in the Sultanate of Oman. The Bank has however earned interest income and incurred interest expenses on account of money market placements and borrowings with banks outside the Sultanate of Oman.

For management purposes, the conventional operations of the Bank is organised into four operating segments based on products and services. Pre acquisition, the Islamic banking services were offered under the brand name – “Al Yusr”. The operating segments are as follows:

|                         |   |
|-------------------------|---|
| Corporate banking       | Loans and other credit facilities for corporate and institutional customers.  |
| Retail banking          | Individual personal loan, overdraft, credit card and funds transfer facilities.   |
| Treasury                | Bonds, placements, bank borrowings, foreign exchange.   |
| Head office and support | Other central functions and Head office.  |
| Islamic Banking         | Sharia' compliant Islamic banking products and services including Ijarah, Murabaha, Mudarbah and Diminishing Musharakah. Post acquisition of Alizz Islamic Bank SAOG, this segment comprises the consolidated balances of Al Yusr Islamic window of OAB and Alizz Islamic Bank. |



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**27 Segmental information (continued)**

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. The costs incurred by the central functions are managed on a group basis and are not allocated to operating segments.

|   | Corporate<br>RO'000 | Retail<br>RO'000 | Treasury<br>RO'000 | Head<br>office<br>and<br>support<br>RO'000 | Islamic<br>RO'000 | Total<br>RO'000  |
|---|---------------------|------------------|--------------------|--|-------------------|------------------|
| <b>At 30 June 2020<br/>(consolidated)</b> |                     |                  |                    |  |                   |                  |
| Net operating income                      | <u>34,160</u>       | <u>16,812</u>    | <u>6,206</u>       | <u>(11,216)</u>                            | <u>1,588</u>      | <u>47,550</u>    |
| Segmental assets                          | <u>1,170,417</u>    | <u>713,468</u>   | <u>184,100</u>     | <u>266,570</u>                             | <u>832,762</u>    | <u>3,167,317</u> |
| <b>At 30 June 2019<br/>(OAB SAOC)</b>     |                     |                  |                    |  |                   |                  |
| Net operating income                      | <u>31,969</u>       | <u>19,848</u>    | <u>5,158</u>       | <u>(11,612)</u>                            | <u>1,671</u>      | <u>47,034</u>    |
| Segmental assets                          | <u>1,097,185</u>    | <u>725,719</u>   | <u>401,123</u>     | <u>96,397</u>                              | <u>158,515</u>    | <u>2,478,939</u> |

From 30 June 2020, after the acquisition of Alizz Islamic Bank SAOG, the Islamic Banking segment comprises the consolidated balances of Al Yusr Islamic window of OAB and Alizz Islamic Bank.

**28 Impact of COVID-19 on the expected credit loss**

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The Bank has invoked the business continuity plan to ensure the safety and well-being of the staff, as well as the ability to support customers and continue business operations. It remains unclear how the economic and social environment will evolve through 2020 and Bank continue to monitor the situation closely.

In addition, the Bank operates in Oman whose economy is significantly concentrated and dependent on the price of crude oil. As at the end of the financial reporting period and subsequently the oil prices have witnessed unprecedented volatility.

The Central Bank of Oman has initiated a series of measures, in conjunction with other Government programmes, to support the liquidity in the market and ability of banks to supply credit to businesses and households through this period of economic disruption.

The actions taken by the Government of Oman and the CBO provide an indication of the potential severity of the downturn and the post-recovery environment. One immediate financial impact of the current economic dislocation will be an increase in expected credit losses and other credit impairment charges ('ECLs') driven by a change in the economic scenarios used to calculate Bank's ECLs.

Macro-economic factors were not adjusted at the reporting date due to significant uncertainty involved, lack of availability of reasonable supportable information and range of forecast economic conditions as the situation is fast evolving subject to significant levels of



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**28 Impact of COVID-19 on the expected credit loss (continued)**

uncertainty, with the full range of possible effects unknown. However, the Bank in recognition of the uncertainty has provided additional ECL for the period.

Accordingly, as at reporting date, the Management believes that the ECL determined is adequate and the Bank would continue to closely monitor the forward looking factors and the impact on a continuous basis.