



## **Oman Arab Bank SAOG**

### **CONDENSED INTERIM FINANCIAL STATEMENTS**

**30 JUNE 2020 (UNAUDITED)**



**INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020 (UNAUDITED)**

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**Oman Arab Bank SAOG**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020 (UNAUDITED)**

	<b>Note</b>	<b>Consolidated 30-Jun-20 RO 000</b>	<b>OAB SAOC 30-Jun-19 RO 000</b>	<b>OAB SAOC Audited 31-Dec-19 RO 000</b>
<b>Assets</b>				
Cash and balances with Central Bank of Oman	5	159,891	207,503	179,664
Due from banks	6	69,846	75,319	50,802
Loans, advances and financing activities for customers	7	2,586,967	1,954,717	2,006,330
Investments in securities	8	225,707	150,307	165,422
Property and equipment	10	44,166	39,719	39,725
Other assets	9	80,740	51,374	55,186
<b>Total assets</b>		<b>3,167,317</b>	<b>2,478,939</b>	<b>2,497,129</b>
<b>Liabilities</b>				
Due to banks	11	45,489	96,936	31,465
Customers' deposits	12	2,580,666	1,937,274	1,998,436
Other liabilities	13	87,034	67,731	71,698
Subordinated debt	14	20,000	20,000	20,000
Taxation		3,427	3,392	6,687
<b>Total liabilities</b>		<b>2,736,616</b>	<b>2,125,333</b>	<b>2,128,286</b>
<b>Equity</b>				
Share capital	15 (a)	166,941	134,620	134,620
Share premium	15 (b)	36,565	-	-
Legal reserve	16	44,746	41,490	44,746
General reserve		25,560	25,560	25,560
Impairment reserve		9,130	-	9,130
Other non-distributable reserves	17	20,515	15,915	19,915
Retained earnings		56,779	65,290	64,270
Cumulative changes in fair value of investments		(2,088)	(1,822)	(1,951)
<b>Total equity attributable to the equity holders of the Bank</b>		<b>358,148</b>	<b>281,053</b>	<b>296,290</b>
Tier 1 perpetual bond	18	72,553	72,553	72,553
<b>Total equity</b>		<b>430,701</b>	<b>353,606</b>	<b>368,843</b>
<b>Total liabilities and shareholders' funds</b>		<b>3,167,317</b>	<b>2,478,939</b>	<b>2,497,129</b>
<b>Contingent liabilities</b>	24	<b>597,404</b>	<b>780,456</b>	<b>720,029</b>

The financial statements were approved by the board of directors 20 July 2020 and were signed on their behalf by:

Rashad Muhammad Al Zubair  
**Chairman**

Rashad Al-Musafir  
**Chief Executive Officer**

The notes 1 to 28 form part of these condensed interim financial statements



**Oman Arab Bank SAOG**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2020 (UNAUDITED)**

	Notes	<u>Six months ended</u>		<u>Three months ended</u>	
		<u>Consolidated</u>	<u>OAB</u>	<u>Consolidated</u>	<u>OAB</u>
		<u>30-Jun</u>	<u>30-Jun</u>	<u>30-Jun</u>	<u>30-Jun</u>
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>
Interest income	19	<b>59,786</b>	55,367	<b>29,655</b>	28,538
Interest expense	20	<b>(21,711)</b>	(19,977)	<b>(10,723)</b>	(10,331)
<b>Net interest income</b>		<b>38,075</b>	35,390	<b>18,932</b>	18,207
Income from Islamic financing		<b>1,588</b>	1,671	<b>651</b>	866
<b>Net interest income and income from Islamic financing</b>		<b>39,663</b>	37,061	<b>19,583</b>	19,073
Other operating income	21	<b>7,887</b>	9,973	<b>3,428</b>	4,791
<b>Operating income</b>		<b>47,550</b>	47,034	<b>23,011</b>	23,864
Staff costs		<b>(14,521)</b>	(15,148)	<b>(6,560)</b>	(7,447)
Other operating expenses		<b>(8,128)</b>	(6,628)	<b>(4,057)</b>	(3,242)
Depreciation		<b>(3,115)</b>	(3,048)	<b>(1,554)</b>	(1,509)
<b>Operating expenses</b>		<b>(25,764)</b>	(24,824)	<b>(12,171)</b>	(12,198)
<b>Profit from operations before impairment losses and tax</b>		<b>21,786</b>	22,210	<b>10,840</b>	11,666
Impairment on financial assets	7	<b>(11,456)</b>	(9,117)	<b>(6,480)</b>	(4,328)
Recoveries and releases from provision for credit losses		<b>2,078</b>	4,362	<b>751</b>	1,670
(Impairment on) / release from due from banks and investments		<b>141</b>	76	<b>429</b>	(100)
<b>Total impairment losses (net)</b>		<b>(9,237)</b>	(4,679)	<b>(5,300)</b>	(2,758)
<b>Profit before tax</b>		<b>12,549</b>	17,531	<b>5,540</b>	8,908
Taxation		<b>(2,164)</b>	(2,786)	<b>(813)</b>	(1,408)
<b>Net profit for the period</b>		<b>10,385</b>	14,745	<b>4,727</b>	7,500
<b>Other comprehensive income</b>					
Items that will not be reclassified to profit or loss					
Equity investments at FVOCI – net change in fair value		<b>(137)</b>	237	<b>(115)</b>	(61)
<b>Other comprehensive (loss) / income for the period</b>		<b>(137)</b>	237	<b>(115)</b>	(61)
<b>Total comprehensive income for the period</b>		<b>10,248</b>	14,982	<b>4,612</b>	7,439
Basic and diluted earnings per share:					
- for the period (RO)		<b>0.005</b>	0.009		
- annualised (RO)	25	<b>0.009</b>	0.018		

The notes 1 to 28 form part of these condensed interim financial statements



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
AS AT 30 JUNE 2020 (UNAUDITED)**

	Share capital RO '000	Share premium RO '000	Legal reserve* RO '000	General reserve RO '000	Impairment reserve RO '000	Other non-distributable reserves RO '000	Retained earnings RO '000	Cumulative changes in fair value of investments RO '000	Tier 1 Perpetual Bonds RO '000	Total RO '000
Balance at 1-Jan-2019	134,620	-	41,490	25,560	-	15,915	68,797	(2,059)	72,553	356,876
Dividends paid	-	-	-	-	-	-	(14,808)	-	-	(14,808)
Profit for the period	-	-	-	-	-	-	14,745	-	-	14,745
Unrealised gain on FVOCI	-	-	-	-	-	-	-	237	-	237
Realised loss on FVOCI	-	-	-	-	-	-	(668)	-	-	(668)
Interest distribution of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	(2,776)	-	-	(2,776)
Balance at 30-Jun-2019	134,620	-	41,490	25,560	-	15,915	65,290	(1,822)	72,553	353,606
<b>Balance at 1-Jan-2020</b>	<b>134,620</b>	<b>-</b>	<b>44,746</b>	<b>25,560</b>	<b>9,130</b>	<b>19,915</b>	<b>64,270</b>	<b>(1,951)</b>	<b>72,553</b>	<b>368,843</b>
<b>Dividends paid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,808)</b>	<b>-</b>	<b>-</b>	<b>(14,808)</b>
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,385</b>	<b>-</b>	<b>-</b>	<b>10,385</b>
<b>Unrealised loss on FVOCI</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(137)</b>	<b>-</b>	<b>(137)</b>
<b>Realised loss on FVOCI</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(310)</b>	<b>-</b>	<b>-</b>	<b>(310)</b>
<b>Interest distribution of Perpetual Tier 1 capital bonds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,758)</b>	<b>-</b>	<b>-</b>	<b>(2,758)</b>
<b>Balance at 30-Jun-2020 (pre-merger)</b>	<b>134,620</b>	<b>-</b>	<b>44,746</b>	<b>25,560</b>	<b>9,130</b>	<b>19,915</b>	<b>56,779</b>	<b>(2,088)</b>	<b>72,553</b>	<b>361,215</b>
<b>Acquisition adjustments</b>	<b>32,321</b>	<b>36,565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,486</b>
<b>Balance at 30-Jun-2020</b>	<b>166,941</b>	<b>36,565</b>	<b>44,746</b>	<b>25,560</b>	<b>9,130</b>	<b>20,515</b>	<b>56,779</b>	<b>(2,088)</b>	<b>72,553</b>	<b>430,701</b>

\*Transfers to legal reserve, impairment reserve and subordinated debt reserve (included under "other non-distributable reserve") are undertaken on an annual basis. The notes 1 to 28 form part of these condensed interim financial statements



**CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2020 (UNAUDITED)**

	Notes	Consolidated Six months ended 30 Jun 2020 RO'000	OAB SAOC 2019 RO'000
Profit before tax		12,549	17,531
Adjustments for:			
Depreciation		3,115	3,048
Allowance for credit losses		11,456	9,117
Recoveries / releases from allowance for credit losses		(2,078)	(4,362)
Interest on subordinated debt		548	545
Foreign exchange revaluation		330	504
Impairment on investments		-	35
Net impairment on due from banks		(141)	(111)
Dividend Income		(71)	(157)
Loss on sale of fixed assets		3	78
Interest income on investments at amortised cost		(4,305)	(3,105)
Changes in fair value of investments at fair value through profit or loss		27	36
<b>Operating profit before changes in operating assets and liabilities</b>		<b>21,433</b>	<b>23,159</b>
Net changes in:			
Loans, advances and other financing activities for customers		(26,182)	(126,446)
Financial assets at fair value through profit or loss		170	-
Due from banks		6,000	(5,000)
Other assets		(8,161)	(2,867)
Customers' deposits and unrestricted investment accounts		9,868	66,716
Other liabilities		(4,381)	(3,817)
<b>Cash from / (used in) operating activities</b>		<b>(1,253)</b>	<b>(48,255)</b>
Tax paid		(5,425)	(5,331)
<b>Net cash from / (used in) operating activities</b>		<b>(6,678)</b>	<b>(53,586)</b>
<b>Investing activities</b>			
Purchase of investment at amortized cost		(19,513)	(21,154)
Proceeds from sale of investments		1,064	920
Purchase of property & equipment	10	(4,073)	(1,784)
Disposal of premises and equipment		48	491
Interest income on investments at amortized cost		4,305	3,105
Dividend Income		71	157
<b>Net cash used in investing activities</b>		<b>(18,098)</b>	<b>(18,265)</b>
<b>Financing activities</b>			
Payment of dividend		(14,808)	(14,808)
Interest on Tier 1 perpetual bond		(2,758)	(2,776)
Interest paid on subordinated bonds		(548)	(545)
<b>Net cash used in financing activities</b>		<b>(18,114)</b>	<b>(18,129)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(42,890)</b>	<b>(89,980)</b>
Cash and cash equivalents at beginning of period		178,502	250,366
<b>Cash and cash equivalents at end of period (OAB SAOC)</b>		<b>135,612</b>	<b>160,386</b>
Adjustment on acquisition		28,608	-
<b>Cash and cash equivalents at end of period (Consolidated)</b>		<b>164,220</b>	<b>160,386</b>
<b>Representing:</b>			
Cash and balances with Central Bank		125,168	207,003
Due from banks ( maturing within 3 months)		30,730	50,319
Due to banks ( maturing within 3 months)		(20,286)	(96,936)
<b>Cash and cash equivalents at end of period (OAB SAOC)</b>		<b>135,612</b>	<b>160,386</b>
Adjustment on acquisition		28,608	-
<b>Cash and cash equivalents at end of period (Consolidated)</b>		<b>164,220</b>	<b>160,386</b>

The notes 1 to 28 form part of these condensed interim financial statements



**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



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





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

**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 Unaudited 30-Jun-20 RO'000</b>	<b>OAB SAOC Unaudited 30-Jun-19 RO'000</b>	<b>OAB SAOC Audited 31-Dec-19 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 Unaudited 30-Jun-20 RO'000</b>	<b>OAB SAOC Unaudited 30-Jun-19 RO'000</b>	<b>OAB SAOC Audited 31-Dec-19 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 Unaudited 30-Jun-20 RO'000</b>	<b>OAB SAOC Unaudited 30-Jun-19 RO'000</b>	<b>OAB SAOC Audited 31-Dec-19 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>



**Oman Arab Bank SAOG**  
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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 credit losses RO 000</b>	<b>Contractual interest not recognised RO 000</b>	<b>Total 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 credit losses RO 000</b>	<b>Contractual interest not recognised RO 000</b>	<b>Total 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 credit losses RO 000</b>	<b>Contractual interest not recognised RO 000</b>	<b>Total 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.



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

**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).

**Oman Arab Bank SAOG****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 30 JUNE 2020 (UNAUDITED)****7 Loans, advances and financing activities for customers (continued)****7 a) Movement in Expected credit losses (ECL)**

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



## Oman Arab Bank SAOG

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

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

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

30 June 2019 (OAB SAOC)	Stage 1 RO 000	Stage 2 RO 000	Stage 3 RO 000	Total RO 000
<b>Exposure subject to ECL</b>				
- Loans and Advances to Customers	1,475,398	472,585	65,341	2,013,324
- Investment Securities (Debt)	12,323	-	-	12,323
- Loan Commitments and Financial Guarantees	475,320	474,954	5,848	956,122
- Due from Banks, Central Banks and Other Financial Assets	510,947	-	-	510,947
	<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	47,084
- Investment Securities (Debt)	12	-	-	12
- Loan Commitments and Financial Guarantees	144	353	-	497
- Due from Banks, Central Banks and Other Financial Assets	538	-	-	538
	<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>-</b>
<b>Charge for the Period (net)</b>				
- Loans and Advances to Customers	1,845	1,651	1,720	5,216
- Investment Securities (Debt)	35	-	-	35
- Loan Commitments and Financial Guarantees	71	(70)	-	1
- Due from Banks, Central Banks and Other Financial Assets	(111)	-	-	(111)
	<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	52,300
- Investment Securities (Debt)	47	-	-	47
- Loan Commitments and Financial Guarantees	215	281	-	496
- Due from Banks, Central Banks and Other Financial Assets	427	-	-	427
	<b>9,652</b>	<b>19,194</b>	<b>24,424</b>	<b>53,270</b>

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

	As per CBO Norms	As per IFRS 9	RO 000 Difference
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.



**Oman Arab Bank SAOG**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)**

**8 Investment securities**

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



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

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

**9 Other assets**

	<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>
Interest and commission receivable	40,773	23,792	24,848
Acceptances	24,180	20,048	21,988
Prepayments	4,569	2,859	2,825
Credit card settlement	360	1,053	1,237
Positive Fair Value change - Forward contracts	1,080	704	226
Others	9,778	2,918	4,062
	<b>80,740</b>	<b>51,374</b>	<b>55,186</b>



## Oman Arab Bank SAOG

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

#### 10 Property and equipment

	Land and buildings	Computer equipment	Furniture and fixture	Motor Vehicles	Capital WIP	Right- of-use assets	Total 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 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 period	299	1,219	462	274	-	861	3,115
Disposals	-	(3,345)	(657)	(38)	-	-	(4,040)
Acquisition 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 (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 (Unaudited)	18,096	5,162	4,003	44	2,078	10,336	39,719
At 31 December 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

	Consolidated <i>Unaudited</i> 30-Jun-20 RO'000	OAB SAOC <i>Unaudited</i> 30-Jun-19 RO'000	OAB SAOC <i>Audited</i> 31-Dec-19 RO'000
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

	Consolidated <i>Unaudited</i> 30-Jun-20 RO'000	OAB SAOC <i>Unaudited</i> 30-Jun-19 RO'000	OAB SAOC <i>Audited</i> 31-Dec-19 RO'000
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>





**Oman Arab Bank SAOG**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**13 Other liabilities**

	<b>Consolidated</b> <i>Unaudited</i> <b>30-Jun-20</b> <i>RO'000</i>	OAB SAOC <i>Unaudited</i> <b>30-Jun-19</b> <i>RO'000</i>	OAB SAOC <i>Audited</i> <b>31-Dec-19</b> <i>RO'000</i>
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>	67,731	71,698

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

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

	Shareholding %	Shares	RO 000
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>



## Oman Arab Bank SAOG

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

#### 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 debt reserve RO'000</b>	<b>Special reserve RO'000</b>	<b>Total 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

- 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.
- 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.



**Oman Arab Bank SAOG**  
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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**

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>Consolidated</i>	<i>OAB SAOC</i>	<i>Consolidated</i>	<i>OAB SAOC</i>
	Unaudited		Unaudited	
	<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>
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**

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>Consolidated</i>	<i>OAB SAOC</i>	<i>Consolidated</i>	<i>OAB SAOC</i>
	Unaudited		Unaudited	
	<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>
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).



**Oman Arab Bank SAOG**  
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**21 Other operating income**

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>Consolidated</i>	<i>OAB SAOC Unaudited</i>	<i>Consolidated</i>	<i>OAB SAOC 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	<b>4,734</b>	6,974	<b>1,941</b>	3,418
Exchange income	<b>3,128</b>	2,924	<b>1,476</b>	1,360
Other income	<b>25</b>	75	<b>11</b>	13
	<b>7,887</b>	9,973	<b>3,428</b>	4,791

**Oman Arab Bank SAOG****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)****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> RO'000	<i>Equity, subordinated funds and liabilities</i> RO'000	<i>Gap</i> RO'000	<i>Cumulative Gap</i> 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> RO'000	<i>Equity, subordinated funds and liabilities</i> RO'000	<i>Gap</i> RO'000	<i>Cumulative Gap</i> 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> RO'000	<i>Equity, subordinated funds and liabilities</i> RO'000	<i>Gap</i> RO'000	<i>Cumulative Gap</i> 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>	



## Oman Arab Bank SAOG

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

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

#### Senior management compensation

	Unaudited 30-Jun-20 RO'000	Unaudited 30-Jun-19 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.



**Oman Arab Bank SAOG**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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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>
<b>Assets:</b>	<u>2020</u>	<u>2020</u>	<u>2020</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>
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>	OAB SAOC	OAB SAOC
	<b>Unaudited</b>	<i>Unaudited</i>	<i>Audited</i>
	<b>30-Jun-20</b>	<i>30-Jun-19</i>	<i>31-Dec-19</i>
	<b>RO'000</b>	<i>RO'000</i>	<i>RO'000</i>
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 Unaudited 30-Jun-20 RO'000</b>	OAB SAOC Unaudited 30-Jun-19 RO'000	OAB SAOC <i>Audited</i> 31-Dec-19 RO'000
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 30-Jun-20</b>	Unaudited 30-Jun-19
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.





## Oman Arab Bank SAOG

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

#### 26 Capital adequacy (continued)

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

	<b>Consolidated</b>	<i>OAB SAOC</i>	<i>OAB SAOC</i>
	<b>30-Jun-20</b>	<i>30-Jun-19</i>	<i>31-Dec-19</i>
	<b>RO'000</b>	<i>RO'000</i>	<i>RO'000</i>
<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
	<hr/>	<hr/>	<hr/>
Total Tier 1	<b>407,855</b>	340,495	342,836
Tier II	<b>25,257</b>	28,756	21,206
	<hr/>	<hr/>	<hr/>
Total capital base	<b>433,112</b>	369,251	364,042
	<hr/>	<hr/>	<hr/>
<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
	<hr/>	<hr/>	<hr/>
Total risk weighted assets	<b>2,856,873</b>	2,446,664	2,395,531
	<hr/>	<hr/>	<hr/>
<b>BIS Capital Adequacy Ratio</b>	<b>15.16%</b>	15.09%	15.20%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Tier 1 Capital Adequacy Ratio</b>	<b>14.28%</b>	13.92%	14.31%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Common Equity Tier 1 Ratio</b>	<b>11.74%</b>	10.95%	11.28%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 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.



**Oman Arab Bank SAOG**  
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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 RO'000	Retail RO'000	Treasury RO'000	Head office and support RO'000	Islamic RO'000	Total RO'000
<b>At 30 June 2020 (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 (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.