



## **Oman Arab Bank SAOC**

### **CONDENSED INTERIM FINANCIAL STATEMENTS**

**31 MARCH 2020 (UNAUDITED)**



**INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 31 MARCH 2020 (UNAUDITED)**

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**Oman Arab Bank SAOC**

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2020 (UNAUDITED)**

	Note	31-Mar-20 RO 000	31-Mar-19 RO 000	Audited 31-Dec-19 RO 000
<b>Assets</b>				
Cash and balances with Central Bank of Oman	3	125,627	165,006	179,664
Due from banks	4	155,140	79,930	50,802
Loans, advances and financing activities for customers	5	2,019,355	1,920,882	2,006,330
Investments in securities	6	173,283	138,886	165,422
Other assets	7	56,342	48,294	55,186
Property and equipment	8	39,743	40,691	39,725
<b>Total assets</b>		<b>2,569,490</b>	<b>2,393,689</b>	<b>2,497,129</b>
<b>Liabilities</b>				
Due to banks	9	87,553	63,993	31,465
Customers' deposits	10	2,027,196	1,887,420	1,998,436
Other liabilities	11	72,539	71,239	71,698
Subordinated debt	12	20,000	20,000	20,000
Taxation		2,730	2,027	6,687
<b>Total liabilities</b>		<b>2,210,018</b>	<b>2,044,679</b>	<b>2,128,286</b>
<b>Equity</b>				
Share capital	13	134,620	134,620	134,620
Legal reserve	14	44,746	41,490	44,746
General reserve		25,560	25,560	25,560
Impairment reserve		9,130	-	9,130
Other non-distributable reserves	15	19,915	15,915	19,915
Retained earnings		54,921	60,633	64,270
Cumulative changes in fair value of investments		(1,973)	(1,761)	(1,951)
<b>Total equity attributable to the equity holders of the Bank</b>		<b>286,919</b>	<b>276,457</b>	<b>296,290</b>
Tier 1 perpetual bond	16	72,553	72,553	72,553
<b>Total equity</b>		<b>359,472</b>	<b>349,010</b>	<b>368,843</b>
<b>Total liabilities and shareholders' funds</b>		<b>2,569,490</b>	<b>2,393,689</b>	<b>2,497,129</b>
<b>Contingent liabilities</b>	22	<b>783,221</b>	<b>804,902</b>	<b>720,029</b>

The financial statements were approved by the board of directors **9 June 2020** and were signed on their behalf by:

Rashad Muhammad Al Zubair  
**Chairman**

Rashad Al-Musafir  
**Chief Executive Officer**

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



**Oman Arab Bank SAOC**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 MARCH 2020 (UNAUDITED)**

	<i>Notes</i>	<b>31-Mar 2020 RO'000</b>	<i>31-Mar 2019 RO'000</i>
Interest income	17	30,131	26,829
Interest expense	18	<b>(10,988)</b>	(9,646)
<b>Net interest income</b>		<b>19,143</b>	17,183
Income from Islamic financing		<b>937</b>	805
<b>Net interest income and income from Islamic financing</b>		<b>20,080</b>	17,988
Other operating income	19	4,459	5,182
<b>Operating income</b>		<b>24,539</b>	23,170
Staff costs		<b>(7,961)</b>	(7,701)
Other operating expenses		<b>(4,071)</b>	(3,386)
Depreciation	8	<b>(1,561)</b>	(1,539)
<b>Operating expenses</b>		<b>(13,593)</b>	(12,626)
<b>Profit from operations before impairment losses and tax</b>		<b>10,946</b>	10,544
Impairment on financial assets	5	<b>(4,976)</b>	(4,789)
Recoveries and releases from provision for credit losses	5	1,327	2,692
Impairment on due from banks		<b>(288)</b>	176
<b>Total impairment losses (net)</b>		<b>(3,937)</b>	(1,921)
<b>Profit before tax</b>		<b>7,009</b>	8,623
Taxation		<b>(1,351)</b>	(1,378)
<b>Net profit for the period</b>		<b>5,658</b>	7,245
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Equity investments at FVOCI – net change in fair value		<b>(22)</b>	298
<b>Other comprehensive (loss) / income for the period</b>		<b>(22)</b>	298
<b>Total comprehensive income for the period</b>		<b>5,636</b>	7,543
Basic and diluted earnings per share:	23		
- for the period (RO)		<b>0.004</b>	0.005
- annualised (RO)		<b>0.017</b>	0.022

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
AS AT 31 MARCH 2020 (UNAUDITED)**

	Share capital	Legal reserve*	General reserve	Impairment reserve*	Other non-distributable reserves*	Retained earnings	Cumulative changes in fair value of investments	Total	Tier 1 Perpetual Bonds	Total equity
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1-Jan-2019	134,620	41,490	25,560	-	15,915	68,797	(2,059)	284,323	72,553	356,876
Dividends paid	-	-	-	-	-	(14,808)	-	(14,808)	-	(14,808)
Profit for the period	-	-	-	-	-	7,245	-	7,245	-	7,245
Unrealised gain on FVOCI	-	-	-	-	-	-	298	298	-	298
Realised loss on FVOCI	-	-	-	-	-	(601)	-	(601)	-	(601)
Balance at 31-Mar-2019	134,620	41,490	25,560	-	15,915	60,633	(1,761)	276,457	72,553	349,010
<b>Balance at 1-Jan-2020</b>	<b>134,620</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>296,290</b>	<b>72,553</b>	<b>368,843</b>
Dividends paid	-	-	-	-	-	(14,808)	-	(14,808)	-	(14,808)
Profit for the period	-	-	-	-	-	5,658	-	5,658	-	5,658
Unrealised loss on FVOCI	-	-	-	-	-	-	(22)	(22)	-	(22)
Realised loss on FVOCI	-	-	-	-	-	(199)	-	(199)	-	(199)
<b>Balance at 31-Mar-2020</b>	<b>134,620</b>	<b>44,746</b>	<b>25,560</b>	<b>9,130</b>	<b>19,915</b>	<b>54,921</b>	<b>(1,973)</b>	<b>286,919</b>	<b>72,553</b>	<b>359,472</b>

\*Transfers to legal reserve, impairment reserve and subordinated debt reserve (included under "other non-distributable reserve") are made on an annual basis.

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



**CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2020 (UNAUDITED)**

	<i>Notes</i>	<b>31-Mar 2020 RO'000</b>	<b>31-Mar 2019 RO'000</b>
Profit before tax		7,009	8,623
Adjustments for:			
Depreciation		1,561	1,539
Allowance for credit losses		4,976	4,789
Recoveries / releases from allowance for credit losses		(1,327)	(2,692)
Interest on subordinated debt		274	271
Difference of foreign exchange-Visa		330	244
Impairment on investments		1	20
Net impairment on due from banks		287	(176)
Dividend Income		(52)	(341)
Loss on sale of fixed assets		3	25
Interest income on investments at amortised cost		(2,092)	(1,453)
Changes in fair value of investments at fair value through profit or loss		27	108
<b>Operating profit before changes in operating assets and liabilities</b>		<b>10,997</b>	<b>10,957</b>
Net changes in:			
Loans, advances and other financing activities for customers		(17,310)	(89,976)
Due from banks		18,000	628
Other assets		(1,253)	210
Customers' deposits and unrestricted investment accounts		28,761	16,863
Other liabilities		(5,615)	(310)
<b>Cash from / (used in) operating activities</b>		<b>33,580</b>	<b>(61,628)</b>
Tax paid		(5,192)	(5,286)
<b>Net cash from / (used in) operating activities</b>		<b>28,388</b>	<b>(66,914)</b>
<b>Investing activities</b>			
Purchase of investments at amortised cost		(9,155)	(9,563)
Proceeds from sale of investments		1,226	899
Purchase of property & equipment	8	(1,630)	(964)
Disposal of premises and equipment		48	261
Interest income on investments at amortised cost		2,092	1,453
Dividend Income		52	341
<b>Net cash used in investing activities</b>		<b>(7,367)</b>	<b>(7,573)</b>
<b>Financing activities</b>			
Payment of dividend		(14,808)	(14,808)
<b>Net cash used in financing activities</b>		<b>(14,808)</b>	<b>(14,808)</b>
<b>Decrease in cash and cash equivalents</b>		<b>6,213</b>	<b>(89,295)</b>
Cash and cash equivalents at beginning of period		178,501	256,367
<b>Cash and cash equivalents at end of period</b>		<b>184,714</b>	<b>167,072</b>
<b>Representing:</b>			
Cash and balances with Central Bank		125,127	164,506
Due from banks (maturing within 3 months)		130,140	56,931
Due to banks (maturing within 3 months)		(70,553)	(54,365)
<b>Cash and cash equivalents at end of period</b>		<b>184,714</b>	<b>167,072</b>

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



**Oman Arab Bank SAOC**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)**

**1 Legal status and principal activities**

Oman Arab Bank SAOC (the Bank) was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock 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. In 1984, the Bank became a subsidiary of Oman International Development and Investment Company SAOG (the Parent Company).

The bank employed 1,221 staff as at 31 March 2020 (31 March 2019: 1,199, 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 31 March 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, 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.

**Oman Arab Bank SAOC****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)****3 Cash and balances with Central Bank of Oman**

	<b>31-Mar-20</b>	31-Mar-19	<i>Audited</i> 31-Dec-19
	<b>RO'000</b>	RO'000	RO'000
Cash in hand	<b>53,191</b>	39,949	42,511
Clearing account with Central Bank of Oman	<b>71,936</b>	68,732	94,303
Other balances with Central Bank of Oman	-	55,825	42,350
Capital deposit with Central Bank of Oman*	<b>500</b>	500	500
	<b>125,627</b>	165,006	179,664

\* 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 31 March 2020 (31 March 2019: 1.5 per cent, 31 December 2019: 1.5 per cent).

**4 Due from banks**

	<b>31-Mar-20</b>	31-Mar-19	<i>Audited</i> 31-Dec-19
	<b>RO'000</b>	RO'000	RO'000
Placements	<b>135,829</b>	54,473	39,130
Current accounts	<b>19,953</b>	25,819	12,026
	<b>155,782</b>	80,292	51,156
Less: allowance for the credit losses	<b>(642)</b>	(362)	(354)
	<b>155,140</b>	79,930	50,802

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

	<b>31-Mar-20</b>	31-Mar-19	<i>Audited</i> 31-Dec-19
	<b>RO'000</b>	RO'000	RO'000
Opening balance of the period	<b>354</b>	538	538
Provided / (released) during the period	<b>288</b>	(176)	(184)
Balance at the end of the period	<b>642</b>	362	354

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

	<b>31-Mar-20</b>	31-Mar-19	<i>Audited</i> 31-Dec-19
	<b>RO'000</b>	RO'000	RO'000
Commercial loans	<b>1,164,012</b>	1,068,381	1,161,929
Overdrafts	<b>148,568</b>	134,736	137,344
Personal loans	<b>760,672</b>	768,108	756,601
Other loans	<b>3,783</b>	7,902	4,016
	<b>2,077,035</b>	1,979,127	2,059,890
Less: allowance for credit losses	<b>(57,680)</b>	(58,245)	(53,560)
	<b>2,019,355</b>	1,920,882	2,006,330





**Oman Arab Bank SAOC**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)**

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

***Allowance for credit losses***

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

	<b>31-Mar-20</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
Provided during the period	4,976	503	5,479
Amounts written off during the period	(32)	-	(32)
Amounts released / recovered during the period	(912)	(415)	(1,327)
Balance at end of period	<u>51,185</u>	<u>6,495</u>	<u>57,680</u>
	<b>31-Mar-19</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	4,789	937	5,726
Amounts written off during the period	(6)	(2)	(8)
Amounts released/recovered during the year	(2,454)	(238)	(2,692)
Balance at end of period	<u>49,925</u>	<u>8,320</u>	<u>58,245</u>
	<b>Audited 31-Dec-19</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>

Total allowance for the expected credit loss on the performing loans as at 31 March 2020 is RO 26,726,303 (31 March 2019: RO 28,450,000, 31 December 2019: 23,018,278). 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. Transfer to / from reserve is made at each year end.

As at 31 March 2020, the gross non-performing loans amounts to RO 73,782,935 (31 March 2019: RO 51,660,000; 31 December 2019: 73,933,879).



**Oman Arab Bank SAOC**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)**

**5 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</b>				
- Loans and Advances to Customers	1,559,859	443,393	73,783	2,077,035
- Investment Securities (Debt)	10,877	-	-	10,877
- Loan Commitments and Financial Guarantees	642,789	255,134	-	897,923
- Due from Banks, Central Banks and Other Financial Assets	574,014	-	-	574,014
	<b>2,787,539</b>	<b>698,527</b>	<b>73,783</b>	<b>3,559,849</b>
<b>Opening balance as at 1 January 2020</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
	<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	454	(517)	63	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	(3)	3	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	<b>451</b>	<b>(514)</b>	<b>63</b>	<b>-</b>
<b>Charge for the year (net)</b>				
- Loans and Advances to Customers	641	2,833	547	4,021
- Investment Securities (Debt)	1	-	-	1
- Loan Commitments and Financial Guarantees	3	7	(0)	10
- Due from Banks, Central Banks and Other Financial Assets	288	-	-	288
	<b>932</b>	<b>2,840</b>	<b>547</b>	<b>4,320</b>
<b>Closing balance as at 31 March 2020</b>				
- Loans and Advances to Customers	8,096	17,289	25,099	50,484
- Investment Securities (Debt)	68	-	-	68
- Loan Commitments and Financial Guarantees	490	144	-	634
- Due from Banks, Central Banks and Other Financial Assets	642	-	-	642
	<b>9,296</b>	<b>17,433</b>	<b>25,099</b>	<b>51,828</b>



**Oman Arab Bank SAOC**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)**

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

31 March 2019	Stage 1 RO 000	Stage 2 RO 000	Stage 3 RO 000	Total RO 000
Exposure subject to ECL				
- Loans and Advances to Customers	1,303,560	496,915	51,660	1,852,135
- Investment Securities (Debt)	6,635	-	-	6,635
- Loan Commitments and Financial Guarantees	477,758	497,164	378	975,300
- Due from Banks, Central Banks and Other Financial Assets	502,831	-	-	502,831
	<u>2,290,784</u>	<u>994,079</u>	<u>52,038</u>	<u>3,336,901</u>
Opening Balance - as at 1 January 2019				
- 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
	<u>7,871</u>	<u>24,413</u>	<u>15,847</u>	<u>48,131</u>
Net transfer between stages				
- Loans and Advances to Customers	472	(505)	34	1
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	<u>472</u>	<u>(505)</u>	<u>34</u>	<u>1</u>
Charge for the Period (net)				
- Loans and Advances to Customers	153	(2,907)	4,995	2,241
- Investment Securities (Debt)	20	-	-	20
- Loan Commitments and Financial Guarantees	24	46	-	70
- Due from Banks, Central Banks and Other Financial Assets	(176)	-	-	(176)
	<u>21</u>	<u>(2,861)</u>	<u>4,995</u>	<u>2,155</u>
Closing Balance - as at 31 March 2019				
- Loans and Advances to Customers	7,802	20,648	20,876	49,326
- Investment Securities (Debt)	32	-	-	32
- Loan Commitments and Financial Guarantees	168	399	-	567
- Due from Banks, Central Banks and Other Financial Assets	362	-	-	362
	<u>8,364</u>	<u>21,047</u>	<u>20,876</u>	<u>50,287</u>

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

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	(3,649)	(3,649)	-
Provisions required as per CBO norms/held as per IFRS 9	59,318	51,828	(7,493)
Gross NPL ratio	3.55%	3.55%	-
Net NPL ratio	2.03%	2.34%	(0.31%)



**Oman Arab Bank SAOC**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)**

**6 Investment securities**

	<i>Carrying value</i> 31-Mar-20	<i>Carrying value</i> 31-Mar-19	<i>Audited</i> <i>Carrying value</i> 31-Dec-19
<b>Fair value through profit and loss (FVTPL)</b>			
<b>Quoted investments- Oman</b>			
Banking and investment sector	3,556	3,783	3,754
	<b>3,556</b>	<b>3,783</b>	<b>3,754</b>
<b>Quoted investments- Foreign</b>			
Banking and investment sector	167	160	165
	<b>167</b>	<b>160</b>	<b>165</b>
<b>Total FVTPL</b>	<b>3,723</b>	<b>3,943</b>	<b>3,919</b>
<b>Investment measured at FVOCI</b>			
<b>Quoted investments- Oman</b>			
Banking and investment sector	193	-	216
Manufacturing sector	798	943	784
Service sector	572	945	802
	<b>1,563</b>	<b>1,888</b>	<b>1,802</b>
<b>Quoted investments- Foreign</b>			
Banking and investment sector	-	706	807
Service sector	89	181	130
	<b>89</b>	<b>887</b>	<b>937</b>
<b>Unquoted investments</b>			
Banking and investment sector	582	624	593
Manufacturing sector	-	113	-
Service sector	169	169	169
	<b>751</b>	<b>906</b>	<b>762</b>
<b>Total FVOCI</b>	<b>2,403</b>	<b>3,681</b>	<b>3,501</b>
<b>Investment measured at amortised cost</b>			
<b>Quoted investments- Oman</b>			
Government Development Bonds	153,156	124,022	143,994
Government Sukuk	3,171	636	3,172
Corporate Bonds	10,830	6,604	10,836
<b>Total amortised cost</b>	<b>167,157</b>	<b>131,262</b>	<b>158,002</b>
<b>Total financial investments</b>	<b>173,283</b>	<b>138,886</b>	<b>165,422</b>



## Oman Arab Bank SAOC

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

#### 6 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:

	<i>Bank's portfolio %</i>	<i>Carrying value RO'000</i>
<b><u>31 March 2020</u></b>		
<b>Government Development Bonds</b>	<b>88%</b>	<b>153,156</b>
<b><u>31 March 2019</u></b>		
Government Development Bonds	89%	124,022
<b><u>31 December 2019 (audited)</u></b>		
Government Development Bonds	89%	147,166

#### 7 Other assets

	<i>31-Mar-20 RO'000</i>	<i>31-Mar-19 RO'000</i>	<i>Audited 31-Dec-19 RO'000</i>
Interest and commission receivable	25,718	20,457	24,848
Acceptances	21,680	19,928	21,988
Prepayments	3,632	2,846	2,825
Credit card settlement	861	1,849	1,237
Positive change in fair value of forward contracts	681	613	226
Others	3,770	2,601	4,062
	<b>56,342</b>	<b>48,294</b>	<b>55,186</b>

#### 8 Property and equipment

	<b>Land and buildings RO 000</b>	<b>Computer equipment RO 000</b>	<b>Furniture and fixture RO 000</b>	<b>Motor Vehicles RO 000</b>	<b>Capital WIP RO 000</b>	<b>Right-of- use assets RO 000</b>	<b>Total RO 000</b>
<b>Cost</b>							
At 1 January 2020	21,743	20,997	13,682	357	5,972	8,609	71,360
Additions	-	189	311	-	1,130	-	1,630
Transfers	-	72	9	-	(81)	-	-
Disposals	-	(3,394)	(658)	(38)	-	-	(4,090)
At 31 March 2020	21,743	17,864	13,344	319	7,021	8,609	68,900
<b>Depreciation</b>							
At 1 January 2020	3,908	15,761	9,950	294	-	1,722	31,635
Charge for the period	149	573	399	10	-	430	1,561
Disposals	-	(3,345)	(656)	(38)	-	-	(4,039)
At 31 March 2020	4,057	12,989	9,693	266	-	2,152	29,157
<b>Net book value</b>							
At 31 March 2020	<b>17,686</b>	<b>4,875</b>	<b>3,651</b>	<b>53</b>	<b>7,021</b>	<b>6,457</b>	<b>39,743</b>
At 31 March 2019	18,081	5,676	4,367	87	1,658	10,822	40,691
At 31 December 2019 (audited)	17,835	5,236	3,732	63	5,972	6,887	39,725

**Oman Arab Bank SAOC****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)****9 Due to banks**

	<b>31-Mar-20</b>	<b>31-Mar-19</b>	<i>Audited</i> <b>31-Dec-19</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Current accounts	<b>12,653</b>	33,400	7,725
Money at call and short term deposits	<b>34,900</b>	30,593	23,740
Repurchase agreements	<b>40,000</b>	-	-
	<b>87,553</b>	63,993	31,465

**10 Customers' deposits**

	<b>31-Mar-20</b>	<b>31-Mar-19</b>	<i>Audited</i> <b>31-Dec-19</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Demand and call accounts	<b>781,307</b>	681,332	777,386
Term deposits	<b>919,919</b>	902,613	914,079
Savings accounts	<b>325,970</b>	303,475	306,971
	<b>2,027,196</b>	1,887,420	1,998,436

**11 Other liabilities**

	<b>31-Mar-20</b>	<b>31-Mar-19</b>	<i>Audited</i> <b>31-Dec-19</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Interest payable	<b>28,320</b>	24,893	24,251
Liabilities under acceptances	<b>21,680</b>	19,928	21,988
Accrued expenses and others	<b>10,087</b>	9,437	11,409
Acceptances and certified cheques	<b>1,718</b>	2,521	2,756
Interest and commission received in advance	<b>2,684</b>	1,614	2,858
Staff related provisions	<b>914</b>	891	910
Credit card settlement	<b>323</b>	834	291
Negative fair value change in forward contracts	<b>356</b>	299	196
Lease liability	<b>6,457</b>	10,822	7,039
	<b>72,539</b>	71,239	71,698

**12 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>31-Mar-20</b>	<b>31-Mar-19</b>	<i>Audited</i> <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>	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.



## Oman Arab Bank SAOC

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

#### 13 Share capital

The authorized capital is RO 200,000,000 and the issued share capital comprises 1,346,200,000 fully paid shares of RO 0.100 each.

RO 20 million has been assigned as capital for the Islamic Banking services of the Bank:

	Country of in corporation	31 March 20		31 March 19		Audited 31 December 19	
		Share holding %	RO'000	Share holding %	RO'000	Share holding %	RO'000
Oman International Development & Investment Co. SAOG	Oman	50.99	68,643	50.99	68,643	50.99	68,643
Arab Bank Plc	Jordan	49	65,964	49	65,964	49	65,964
Oman Real Estate Investment Services SAOC	Oman	0.01	13	0.01	13	0.01	13
		<b>100</b>	<b>134,620</b>	<b>100</b>	<b>134,620</b>	<b>100</b>	<b>134,620</b>

#### 14 Legal reserve

Article 132 of the Commercial Companies Law requires that company shall in each financial year, set aside ten percent (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.

#### 15 Other non-distributable reserves

	Subordinated debt reserve (refer note a) RO'000	Special reserve (refer note b) RO'000	Total RO'000
At 1 January 2020	16,000	3,915	19,915
<b>At 31 March 2020</b>	<b>16,000</b>	<b>3,915</b>	<b>19,915</b>
At 31 March 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% 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 reserve required under erstwhile circulars namely BSD/2016/BKUP/Banks-FLCs/447 and BSD/2017/BKUP/Banks-FLCs/467, will continue until such loans are up-graded. Accordingly, the existing amount of RO 1.5 million (March 2019: RO 1.5 million) is included in the special reserve.



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**16 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. 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-3 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. 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.

**17 Interest income**

	<i>Three months ended</i>	
	<i>31-Mar-20</i>	<i>31-Mar-19</i>
	<i>RO'000</i>	<i>RO'000</i>
Loans and advances	<b>27,528</b>	24,696
Placements with banks	<b>511</b>	400
Interest from investment securities	<b>2,092</b>	1,733
	<b>30,131</b>	26,829

Interest bearing assets earned interest at an average rate of 5.47 per cent for the three months ended 31 March 2020 (31 March 2019: 5.16 per cent).

**18 Interest expense**

	<i>Three months ended</i>	
	<i>31-Mar-20</i>	<i>31-Mar-19</i>
	<i>RO'000</i>	<i>RO'000</i>
Time deposits	<b>8,579</b>	7,494
Subordinated bonds	<b>274</b>	271
Saving, call accounts & others	<b>2,057</b>	1,830
Interest cost on lease liabilities	<b>78</b>	51
	<b>10,988</b>	9,646

For the three months ended 31 March 2020, the average cost of funds was 2.05 per cent (31 March 2019: 1.94 per cent).





**Oman Arab Bank SAOC**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**19 Other operating income**

	<i>Three months ended</i>	
	<i>31-Mar-20 RO'000</i>	<i>31-Mar-19 RO'000</i>
Fees and commissions	2,793	3,556
Exchange income	1,652	1,564
Other income	14	62
	<u>4,459</u>	<u>5,182</u>

**20 Asset liability gap**

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

**31 March 2020**

<i>Maturities</i>	<i>Assets RO'000</i>	<i>Equity, subordinated funds and liabilities RO'000</i>	<i>Gap RO'000</i>	<i>Cumulative Gap RO'000</i>
0 - 3 month	951,668	605,946	345,722	705,356
3 - 12 month	267,624	612,928	(345,304)	277,253
1 – 5 years	550,037	639,819	(89,782)	(333,192)
More than 5 years	1,095,082	1,006,633	88,449	(915)
<b>Total</b>	<u>2,864,411</u>	<u>2,865,326</u>	<u>(915)</u>	

**31 March 2019**

<i>Maturities</i>	<i>Assets RO'000</i>	<i>Equity, subordinated funds and liabilities RO'000</i>	<i>Gap RO'000</i>	<i>Cumulative Gap RO'000</i>
0 - 3 month	949,384	626,734	322,650	705,660
3 - 12 month	317,816	716,399	(398,583)	76,732
1 – 5 years	504,689	604,283	(99,594)	(470,228)
More than 5 years	990,413	811,494	178,919	3,392
<b>Total</b>	<u>2,762,302</u>	<u>2,758,910</u>	<u>3,392</u>	

**31 December 2019  
(audited)**

<i>Maturities</i>	<i>Assets RO'000</i>	<i>Equity, subordinated funds and liabilities RO'000</i>	<i>Gap RO'000</i>	<i>Cumulative Gap RO'000</i>
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>	<u>2,782,062</u>	<u>2,785,799</u>	<u>(3,737)</u>	



## Oman Arab Bank SAOC

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

#### 21 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 that 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 31 March 2020, balances with directors and other related parties were as follows:

<b><u>Related party transactions</u></b>	<b>31-Mar-20</b>		<b>31-Mar-19</b>	
	<b>RO'000</b>		<b>RO'000</b>	
	<b>Major Shareholders</b>	<b>Others</b>	<b>Major Shareholders</b>	<b>Others</b>
Loans and advances	-	71,116	1	67,968
Customers' deposits	28,416	38,028	7,435	32,651
Due from banks	36,397	-	15,905	-
Due to banks	6,487	-	12,723	-
Stand by line of credit	38,500	-	48,125	-
Letters of credit, guarantees and acceptances	141,852	8,985	136,053	1,476

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

	<b>31-Mar-20</b>		<b>31-Mar-19</b>	
	<b>RO'000</b>		<b>RO'000</b>	
	<b>Major Shareholders</b>	<b>Others</b>	<b>Major Shareholders</b>	<b>Others</b>
Interest & commission income	32	818	64	733
Interest & commission expense	116	200	116	179

#### Senior management compensation

	<b>31-Mar-20</b>	<b>31-Mar-19</b>
	<b>RO'000</b>	<b>RO'000</b>
Salaries and other short term benefits	318	455
End of service benefits	8	26
	<b>326</b>	<b>481</b>



## Oman Arab Bank SAOC

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

#### 22 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 31 March 2020 were as follows:

	<b>31-Mar-20</b>	31-Mar-19	<i>Audited</i> 31-Dec-19
	<b>RO'000</b>	RO'000	RO'000
Letters of credit	<b>224,166</b>	199,312	162,993
Guarantees	<b>559,055</b>	605,590	557,036
	<b>783,221</b>	804,902	720,029

Letters of credit and guarantees amounting to RO 444,329,644 (31 March 2019: RO 436,894,907; 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>31-Mar-20</b>	31-Mar-19	<i>Audited</i> 31-Dec-19
	<b>RO'000</b>	RO'000	RO'000
Sales	<b>110,342</b>	166,721	86,043
Purchases	<b>(110,200)</b>	(167,035)	(86,074)
	<b>142</b>	(314)	(31)

#### 23 Basic Earnings per share

	<b>31-Mar-20</b>	31-Mar-19
Profit for the period (RO'000)	<b>5,658</b>	7,245
Profit attributable to shareholders	<b>5,658</b>	7,245
Weighted average number of shares outstanding during the year	<b>1,346,200,000</b>	1,346,200,000
Basic and diluted earnings per share:		
- for the period (RO)	<b>0.004</b>	0.005
- annualised (RO)	<b>0.017</b>	0.022

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



## Oman Arab Bank SAOC

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

#### 24 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, it requires to maintain a capital conservation buffer (CCB) of 2.5 per cent annually in addition to 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.

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

	<b>31-Mar-20</b>	<i>31-Mar-19</i>	<i>Audited</i>
	<b>RO'000</b>	<i>RO'000</i>	<i>31-Dec-19</i>
			<i>RO'000</i>
<b>Capital</b>			
Common Equity Tier 1 (CET 1)	<b>270,283</b>	267,942	270,283
Additional Tier 1	<b>72,553</b>	72,553	72,553
	<hr/>	<hr/>	<hr/>
Total Tier 1	<b>342,836</b>	340,495	342,836
Tier II	<b>21,206</b>	28,756	21,206
	<hr/>	<hr/>	<hr/>
Total capital base	<b>364,042</b>	369,251	364,042
	<hr/>	<hr/>	<hr/>
<b>Risk Weighted Assets</b>			
Credit risk	<b>2,240,301</b>	2,225,309	2,215,780
Market risk	<b>20,750</b>	18,325	18,288
Operation risk	<b>161,463</b>	148,375	161,463
	<hr/>	<hr/>	<hr/>
Total risk weighted assets	<b>2,422,534</b>	2,392,009	2,395,531
	<hr/>	<hr/>	<hr/>
<b>BIS Capital Adequacy Ratio</b>	<b>15.03%</b>	15.44%	15.20%
	<hr/>	<hr/>	<hr/>
<b>Tier 1 Capital Adequacy Ratio</b>	<b>14.15%</b>	14.23%	14.31%
	<hr/>	<hr/>	<hr/>
<b>Common Equity Tier 1 Ratio</b>	<b>11.16%</b>	11.20%	11.28%
	<hr/>	<hr/>	<hr/>



**Oman Arab Bank SAOC**  
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**25 Segmental information**

The Bank mainly operates in only one geographical location, 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. The Islamic banking services are 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 “Al-Yusr”	Sharia’ compliant Islamic banking products and services including Ijarah, Murabaha, Mudarbah and Diminishing Musharakah.

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	Al-Yusr RO'000	Total RO'000
<b>At 31 Mar 2020</b>						
Net operating income	<u>17,016</u>	<u>9,236</u>	<u>3,009</u>	<u>(5,659)</u>	<u>937</u>	<u>24,539</u>
Segmental assets	<u>1,156,106</u>	<u>722,464</u>	<u>412,114</u>	<u>104,518</u>	<u>174,288</u>	<u>2,569,490</u>
<b>At 31 Mar 2019</b>						
Net operating income	<u>14,934</u>	<u>9,916</u>	<u>2,648</u>	<u>(5,133)</u>	<u>805</u>	<u>23,170</u>
Segmental assets	<u>1,064,104</u>	<u>728,506</u>	<u>351,188</u>	<u>94,538</u>	<u>155,353</u>	<u>2,393,689</u>



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**26 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 uncertainty, with the full range of possible effects unknown. However, the Bank in recognition of the uncertainty has provided additional ECL as management overlays 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.

**27 Subsequent events**

The Bank had expressed an interest in Alizz Islamic Bank SAOG (Alizz) to explore the possibility of merger between the two banks. On 4 October 2018, the Bank and Alizz signed memorandum of understanding and the regulators have granted initial approvals to proceed with the merger process. On 30 December 2019, the Bank had sent an 'Offer letter' proposing indicative swap ratio of around 81%:19% to the shareholders of the Bank and Alizz, which was approved by the Board of Alizz. Actual SWAP ratio will be based on the net assets as per the audited financial statements of 31 December 2019 with appropriate adjustments made for the movements between 31 December 2019 and transaction date. Subsequent to the reporting date, the Bank has received an approval on the proposed merger from the Central Bank of Oman and is in the process of obtaining further regulatory approvals from the Capital Market Authority and other regulatory bodies. Further, this is subject to approval from the shareholders.

As at 31 March 2020, there is no adjustment required in the condensed interim financial statements of the Bank.