



Oman Arab Bank SAOG

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2020 (UNAUDITED)



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

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2020 (UNAUDITED)

Chairman's Report

Dear Shareholders,

It is my pleasure to share with you the results achieved by the Bank during the third quarter, ending 30 September 2020.

As we are entering the last quarter of 2020, low oil prices and challenges due to COVID-19 continue to influence business and the economic environment in Oman. While the safety of our customers and staff remain our utmost priority, Oman Arab Bank (OAB) continues to be open for business by working closely with all the Omani communities especially in these difficult times. Strategic initiatives implemented earlier in the year continue to be our focus and our objectives realigned to ensure business continuity.

Integration with Alizz Islamic Bank

During Q2 2020, the Bank completed its merger with Alizz Islamic Bank (AIB). OAB acquired 100 per cent of the shares in AIB and became a public joint stock company (SAOG). We have successfully completed the integration of Al Yusr Islamic Banking window of OAB with AIB in Q3 2020. This includes the migration and integration of customers, services, employees, assets, and liabilities resulting in a larger Islamic banking entity with a larger market share.

This merger has created a strategic platform to expand the scope of our services as well as enabling us to reach more customers through our expanded network. The synergies within the Group will allow us to provide an enhanced customer experience.

National Day Campaign

Towards the end of Q3, OAB launched 'The Power of 50' campaign to mark Oman's 50th National Day and reward existing customers that refer a friend or family member. The intention of the campaign is to increase the customer base as well as market share and brand awareness.

Financial Overview

The Bank posted a consolidated net profit of RO 13.7 million for the nine month ended 30 September 2020, compared to RO 20.2 million (standalone) reported during the same period in 2019, a decrease of 32 per cent.

Net interest income from conventional banking and income from Islamic financing stood at RO 61.7 million for the nine months period ending 30 September 2020, compared to RO 56.7 million for the same period in 2019, reflecting a strong increase of 9 per cent through a balanced growth in assets and maintaining the margins.

Non-interest income was RO 11.7 million for the nine months period ending 30 September 2020, as compared to RO 13.3 million for the same period in 2019, a decrease of 12 per cent reflecting reduced business volumes on account of businesses interruption during the COVID19 lockdowns and reduced business activity on account of lower oil prices.

Operating expenses for the nine months period ending 30 September 2020 was RO 43.0 million, compared to RO 37.7 million for the same period in 2019, an increase of 14 per cent.

Net impairment for credit and other losses for the nine months period ending 30 September 2020 was RO 13.7 million as compared to RO 8.1 million for the same period in 2019. This increase is mainly due to the additional provisions by management as OAB continues to take a more prudent approach, considering the impact from COVID-19 on the economic environment and the current stress on business and market conditions.



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2020 (UNAUDITED)

Financial Overview (continued)

Net loans and advances, including Islamic financing receivables, increased by 32 per cent to RO 2,596.8 million, compared to RO 1,965.1 million as of 30 September 2019. The increase in the loan and financing book is mainly the result of the acquisition of Alizz Islamic Bank and consequent consolidation of accounts.

Customer deposits, including Islamic customer deposits, stood at RO 2,709.5 million by the end of Q3 2020, an increase of 41 per cent compared to RO 1,926.8 million as of 30 September 2019. Similarly, this increase is mainly attributable to the acquisition of Alizz Islamic Bank.

Sustainability

Given the current situation, most large scale events and volunteering initiatives have been cancelled or postponed. Therefore OAB has accelerated a number of its online initiatives to help those who need it most. Through OAB ATM's and the OAB Online App, we continue to encourage donations to the Ministry of Health and six other charities to help those in need.

To showcase our appreciation for frontline workers dealing with the impact of COVID-19 in Oman, OAB has launched in Q3 an exclusive credit card scheme, which offers 0% interest rate and other benefits to those that are placing their own lives at risk for the greater good.

Towards the end of August we supported a virtual fundraiser organized by the Environmental Society of Oman (ESO) and which was hosted by Her Highness Sayidda Tania Al Said and Omani Football legend Ali Al Habsi. OAB is proud to support ESO's work for many years, as they are the only non-profit organisation in Oman dedicated to conserving the environment.

In Conclusion

On behalf of the Board of Directors, I would like to thank all our stakeholders for their continued confidence and their commitment to Oman Arab Bank. As our nation progresses through these unprecedented times, the Bank continues to support the Government of Oman in its efforts to keep Oman safe and forward-thinking and we very much appreciate the Government of Oman on the various measures taken to manage the current financial crisis.

May the Almighty Allah keep us all safe and blessed.

Rashad Muhammad Al Zubair
Chairman



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020 (UNAUDITED)**

	Note	Consolidated 30-Sep-20 RO 000	OAB SAOC 30-Sep-19 RO 000	OAB SAOC Audited 31-Dec-19 RO 000
Assets				
Cash and balances with Central Bank of Oman	C4	257,675	175,294	179,664
Due from banks	C5	60,069	71,617	50,802
Loans, advances and financing activities for customers	C6	2,596,845	1,965,174	2,006,330
Investments in securities	C7	239,841	157,357	165,422
Property and equipment	C8	44,511	36,275	39,725
Other assets	C9	81,298	49,267	55,186
Total assets		3,280,239	2,454,984	2,497,129
Liabilities				
Due to banks	C10	26,925	77,909	31,465
Customers' deposits	C11	2,709,511	1,926,881	1,998,436
Other liabilities	C12	86,471	66,402	71,698
Subordinated debt	C13	20,000	20,000	20,000
Taxation		4,166	4,396	6,687
Total liabilities		2,847,073	2,095,588	2,128,286
Equity				
Share capital	C14 (a)	166,941	134,620	134,620
Share premium	C14 (b)	36,565	-	-
Legal reserve	C15	44,746	41,490	44,746
General reserve		25,560	25,560	25,560
Impairment reserve		9,130	-	9,130
Other non-distributable reserves	C16	19,915	15,915	19,915
Retained earnings		59,815	71,100	64,270
Cumulative changes in fair value of investments		(2,059)	(1,842)	(1,951)
Total equity attributable to the equity holders of the Bank		360,613	286,843	296,290
Tier 1 perpetual bond	C17	72,553	72,553	72,553
Total equity		433,166	359,396	368,843
Total liabilities and shareholders' funds		3,280,239	2,454,984	2,497,129
Net Assets per share	C24	0.298	0.267	0.274
Contingent liabilities	C23	575,990	756,021	720,029

The financial statements were approved by the board of directors 10 November 2020 and were signed on their behalf by:

Rashad Muhammad Al Zubair
Chairman

Rashad Al-Musafir
Chief Executive Officer

The notes C1 to C27 form part of these condensed consolidated interim financial statements



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

	Notes	<u>Nine months ended</u>		<u>Three months ended</u>	
		<u>Consolidated</u>	<u>OAB</u> <u>SAOC</u>	<u>Consolidated</u>	<u>OAB</u> <u>SAOC</u>
		<u>30-Sep</u>	<u>30-Sep</u>	<u>30-Sep</u>	<u>30-Sep</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	C18	89,381	84,592	29,595	29,225
Interest expense	C19	(33,968)	(30,537)	(12,257)	(10,560)
Net interest income		55,413	54,055	17,338	18,665
Net income from Islamic activities		6,244	2,644	4,656	973
Net interest income and income from Islamic activities		61,657	56,699	21,994	19,638
Other operating income	C20	11,734	13,260	3,847	3,287
Operating income		73,391	69,959	25,841	22,925
Staff costs		(24,286)	(22,548)	(9,765)	(7,400)
Other operating expenses		(13,746)	(10,812)	(5,618)	(4,184)
Depreciation		(4,989)	(4,365)	(1,874)	(1,317)
Operating expenses		(43,021)	(37,725)	(17,257)	(12,901)
Profit from operations before impairment losses and tax		30,370	32,234	8,584	10,024
Impairment on financial assets	C6	(16,989)	(14,383)	(5,533)	(5,266)
Recoveries and releases from provision for credit losses		3,166	6,117	1,088	1,755
Release / (impairment on) from due from banks and investments		133	127	(8)	51
Total impairment losses (net)		(13,690)	(8,139)	(4,453)	(3,460)
Profit before tax		16,680	24,095	4,131	6,564
Taxation		(2,964)	(3,854)	(800)	(1,068)
Net profit for the period		13,716	20,241	3,331	5,496
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Equity investments at FVOCI – net change in fair value		(713)	217	29	(20)
Other comprehensive (loss) / income for the period		(713)	217	29	(20)
Total comprehensive income for the period		13,003	20,458	3,360	5,476
Basic and diluted earnings per share:					
- for the period (RO)	C24	0.008	0.013	0.002	0.004

The notes C1 to C27 form part of these condensed consolidated interim financial statements



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
AS AT 30 SEPTEMBER 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	-	-	-	-	-	-	20,241	-	-	20,241
Unrealised gain on FVOCI	-	-	-	-	-	-	-	217	-	217
Realised loss on FVOCI	-	-	-	-	-	-	(354)	-	-	(354)
Interest distribution of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	(2,776)	-	-	(2,776)
Balance at 30-Sep-2019	134,620	-	41,490	25,560	-	15,915	71,100	(1,842)	72,553	359,396
Balance at 1-Jan-2020	134,620	-	44,746	25,560	9,130	19,915	64,270	(1,951)	72,553	368,843
Dividends paid	-	-	-	-	-	-	(14,808)	-	-	(14,808)
Profit for the period	-	-	-	-	-	-	13,716	-	-	13,716
Change in fair value of FVOCI investments	-	-	-	-	-	-	-	(713)	-	(713)
Realised loss on FVOCI investments	-	-	-	-	-	-	(605)	605	-	-
Interest distribution of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	(2,758)	-	-	(2,758)
Acquisition of Alizz Islamic Bank SAOG	32,321	36,565	-	-	-	-	-	-	-	68,886
Balance at 30-Sep-2020	166,941	36,565	44,746	25,560	9,130	19,915	59,815	(2,059)	72,553	433,166

*Transfers to legal reserve, impairment reserve and subordinated debt reserve (included under "other non-distributable reserve") are undertaken on an annual basis.
The notes C1 to C27 form part of these condensed consolidated interim financial statements



Oman Arab Bank SAOG
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Notes	Consolidated Nine months ended 30 Sep 2020 RO'000	OAB SAOC ended 30 Sep 2019 RO'000
Profit before tax		16,680	24,095
Adjustments for:			
Depreciation		4,989	4,365
Allowance for credit losses		16,989	14,383
Recoveries / releases from allowance for credit losses		(3,165)	(6,117)
Interest on subordinated debt		826	545
Foreign exchange revaluation		330	924
Impairment on investments		-	35
Net impairment on due from banks		(133)	(162)
Dividend Income		(78)	(157)
Loss on sale of fixed assets		39	78
Interest income on investments at amortised cost		(7,195)	(4,945)
Changes in fair value of investments at fair value through profit or loss		27	36
Operating profit before changes in operating assets and liabilities		29,309	33,080
Net changes in:			
Loans, advances and other financing activities for customers		(173,146)	(140,773)
Financial assets at fair value through profit or loss		170	-
Other assets		(9,784)	(761)
Customers' deposits and unrestricted investment accounts		223,731	56,324
Other liabilities		808	(2,449)
Cash from / (used in) operating activities		71,088	(54,579)
Tax paid		(5,481)	(5,393)
Net cash from / (used in) operating activities		65,607	(59,972)
Investing activities			
Purchase of investment at amortized cost		(17,077)	(28,323)
Proceeds from sale of investments		1,044	1,321
Purchase of property & equipment	C8	(10,821)	(2,405)
Disposal of premises and equipment		5,047	542
Interest income on investments at amortized cost		7,195	4,945
Dividend Income		78	157
Net cash used in investing activities		(14,534)	(23,763)
Financing activities			
Payment of dividend		(14,808)	(14,808)
Interest on Tier 1 perpetual bond		(2,758)	(2,776)
Interest paid on subordinated bonds		(826)	(545)
Net cash used in financing activities		(18,392)	(18,129)
Decrease in cash and cash equivalents		32,681	(101,864)
Cash and cash equivalents at beginning of period		244,136	250,366
Cash and cash equivalents at end of period		276,817	148,502
Representing:			
Cash and balances with Central Bank		256,675	174,794
Due from banks (maturing within 3 months)		47,067	51,617
Due to banks (maturing within 3 months)		(26,925)	(77,909)
Cash and cash equivalents at end of period		276,817	148,502

The notes C1 to C27 form part of these condensed consolidated interim financial statements



Oman Arab Bank SAOG
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

C1 Legal status and principal activities

Oman Arab Bank SAOG (“the Bank” or “the Group” or “the Parent”) was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock company. On 6 July 2020, Oman Arab Bank SAOC became a listed Bank and the name was changed from Oman Arab Bank SAOC to Oman Arab Bank SAOG. Consequently, the ordinary equity shares of the Oman Arab Bank SAOG were listed on Muscat Securities Market (MSM). The Bank 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. From 30 June 2020, Bank is a subsidiary of Arab Bank PLC, an entity based in Jordan.

On 30 June 2020, the Bank acquired 100% of the shares in Alizz Islamic Bank SAOC (AIB). 0.02% shares in AIB are held beneficially for and behalf of the Bank by 2 major shareholders. AIB is principally engaged in banking activities in accordance with the principles of Islamic Shari’a. AIB principal place of business is Alizz Tower P.O. Box 753 CBD Area, PC 112 Sultanate of Oman.

On 6 July 2020, the Bank has transferred the Al Yusr Islamic Window (Al Yusr) to AIB. Hence, the Bank is now having AIB as a separate Islamic Banking subsidiary. Al Yusr Islamic Window has been transferred based on net assets value as of 30 June 2020 as common control transactions. Accounting for disposal of Al Yusr in these consolidated financial statements is not applicable as the Bank is the ultimate Parent and Al Yusr has been disposed-off by the Bank to the AIB, which is being fully consolidated.

The Group employed 1,540 staff as at 30 September 2020 (30 September 2019: 1,217, 31 December 2019: 1,240).

This is first set of consolidated financial statements being prepared by the Bank after acquisition of the AIB and disposal of Al Yusr to the AIB. Comparative information is based on historical standalone financial statements. Current period profit and loss statement includes 3 months results of Alizz i.e. from 1 July to 30 September 2020 as date of control transferred being 30 June 2020 and 9 months results of Al Yusr.

C2 Basis of preparation

The condensed consolidated interim financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. In addition, results of the nine months period ended 30 September 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 consolidated interim financial statements are consistent with those followed in the preparation of Bank’s standalone annual financial statements for the year ended 31 December 2019 except for the below accounting policies (note a and b) which were implemented during the year due to acquisition of AIB as at 30 June 2020. The condensed consolidated interim financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with IFRS.

AIB prepares a separate set of financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, the Sharia Rules and Principles as determined by the Sharia Supervisory Board of the Islamic Window and other applicable requirements of the CBO. The financial statements of AIB are then converted to the IFRS and are included in the Group condensed consolidated interim financial statements.

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

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



Oman Arab Bank SAOG
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

C2 Basis of preparation (continued)

(a) Basis of consolidation

Business Combination

The Group accounts for business combination using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

The consolidated financial statements include the financial statements of the Parent and its subsidiary. IFRS10 introduces a control model that focuses on whether the Bank has power over the investee, exposure or rights to variable returns from its investment with the investee and the ability to use its power to affect those returns. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of their acquisition or up to the date of their disposal. Intra-group sales, profits and balances are eliminated on consolidation and revenue and profit figures relate to external transactions and balances only.

Goodwill on consolidation

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.



Oman Arab Bank SAOG
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

C2 Basis of preparation (continued)

(a) Basis of consolidation (continued)

Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets not held by the Group and is presented in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from the Parent Shareholders' equity.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(b) Common control business combinations

A business combination is a 'common control combination' if the combining entities are ultimately controlled by the same party (or parties) both before and after the combination and common control is not transitory.

Business combinations involving entities under common control are outside the scope of IFRS 3 'Business Combinations' Standard. The Bank has adopted an accounting policy to account for common control transactions on predecessor value method i.e. net assets value on date of transfer. A predecessor value method involves accounting for the assets and liabilities of the transferred business using existing carrying values.

C3 Acquisition of Alizz Islamic Bank SAOG and transfer of Al Yusr Islamic window

On 30 June 2020, the Bank acquired 100 percent of the shares and voting interests in Alizz Islamic Bank SAOG (AIB). As a result, the Bank obtained full control over AIB, which made it a wholly owned subsidiary. AIB was previously listed on the Muscat Securities Market (MSM) and upon acquisition by the Bank, the shares of AIB were delisted. Subsequently these shares were exchanged for the shares in the Bank. The exchange of shares was based on the agreed ratio of 81:19 between the Bank and shareholders of AIB. The share swap ratio was determined based on net assets value of the Bank and AIB as at 31 March 2020, which was approved by the shareholders of both banks and regulators. Subsequently, the Bank was listed on MSM at price of RO 0.213 per share i.e. net assets value per share of the Bank as of 31 March 2020. Accordingly, the consideration paid for acquisition of AIB recorded as share capital and share premium is based on the share price of RO 0.213. The total consideration paid for the acquisition is RO 68,886 thousands.

a. Consideration transferred

	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

b. Acquisition-related costs

The Bank has incurred RO 877K so far as merger related costs.



Oman Arab Bank SAOG
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

C3 Acquisition of Alizz Islamic Bank SAOG and transfer of Al Yusr Islamic window (continued)

c. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition which is as at 30 June 2020. These numbers are based on unaudited financial statements of the AIB as at 30 June 2020.

Assets	RO'000
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
Total Assets	665,742
Due to banks	10,203
Deposits from customers	572,362
Other liabilities	13,691
Liabilities	596,256
Net assets	69,486

The acquisition accounting has been made on provisional basis based on net assets of the AIB on date of acquisition as the purchase price Allocation exercise to determine the fair value of assets acquired and liabilities assumed is ongoing. The accounting for the acquisition will be revised on completion of PPA exercise.

The difference between consideration transferred and net assets acquired of RO 600 thousands has been recorded under Other liabilities in these consolidated financial statements as this amount is provisional and subject to changes on completion of PPA exercise.

d. Transfer of Al Yusr Islamic window to AIB

During the period the Bank transferred net asset of Al Yusr Islamic window to AIB for RO 18,758 K pursuant to the Sale and Purchase Agreement (SPA) dated 6 July 2020. Since these are condensed consolidated financial statements which includes results of both the Bank and AIB which has Al Yusr Islamic Window results, therefore, the transfer will not impact these consolidated financial statements.

C4 Cash and balances with Central Bank of Oman

	Consolidated	OAB SAOC	OAB SAOC
	Unaudited	<i>Unaudited</i>	<i>Audited</i>
	30-Sep-20	<i>30-Sep-19</i>	<i>31-Dec-19</i>
	RO'000	<i>RO'000</i>	<i>RO'000</i>
Cash in hand	39,472	41,656	42,511
Clearing account with Central Bank of Oman	140,178	56,138	94,303
Other balances with Central Bank of Oman	77,025	77,000	42,350
Capital deposit with Central Bank of Oman*	1,000	500	500
	257,675	175,294	179,664



Oman Arab Bank SAOG

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)**

C4 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 September 2020 (30 September 2019: 1.5 per cent, 31 December 2019: 1.5 per cent).

C5 Due from banks

	Consolidated <i>Unaudited</i> 30-Sep-20 RO'000	OAB SAOC <i>Unaudited</i> 30-Sep-19 RO'000	OAB SAOC <i>Audited</i> 31-Dec-19 RO'000
Placements	30,000	54,628	39,130
Current accounts	30,310	17,365	12,026
	60,310	71,993	51,156
Less: allowance for the credit losses	(241)	(376)	(354)
	60,069	71,617	50,802

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

	Consolidated <i>Unaudited</i> 30-Sep-20 RO'000	OAB SAOC <i>Unaudited</i> 30-Sep-19 RO'000	OAB SAOC <i>Audited</i> 31-Dec-19 RO'000
Opening balance of the period / year	354	538	538
Acquisition adjustments	20	-	-
Released during the period / year	(133)	(162)	(184)
Balance at the end of the period / year	241	376	354

C6 Loans, advances and financing activities for customers

	Consolidated <i>Unaudited</i> 30-Sep-20 RO'000	OAB SAOC <i>Unaudited</i> 30-Sep-19 RO'000	OAB SAOC <i>Audited</i> 31-Dec-19 RO'000
Commercial loans	1,501,382	1,129,160	1,161,929
Overdrafts	149,166	136,294	137,344
Personal loans	1,034,953	762,515	756,601
Other loans	3,613	4,180	4,016
	2,689,114	2,032,149	2,059,890
Less: allowance for credit losses	(92,269)	(66,975)	(53,560)
	2,596,845	1,965,174	2,006,330



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C6 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:

	30 Sep 2020 (Consolidated)		
	Allowance for credit losses RO 000	Contractual interest not recognised RO 000	Total RO 000
Balance at beginning of period	47,153	6,407	53,560
Acquisition adjustment	19,741	1,318	21,059
Provided during the period	16,989	3,094	20,083
Amounts written off during the period	(71)	(4)	(75)
Amounts released / recovered during the period	(4,536)	1,370	(3,166)
Transfer of Al Yusr	3,039	(2,231)	808
Balance at end of period	<u>82,315</u>	<u>9,954</u>	<u>92,269</u>

Total allowance for the expected credit loss on the consolidated performing loans as at 30 September 2020 is RO 36,668,000 (30 September 2019: RO 25,830,528, 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 September 2020, the consolidated gross non-performing loans amounts to RO 107,774,000 (30 September 2019: RO 95,046,218; 31 December 2019: 73,933,879).



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C6 Loans, advances and financing activities for customers (continued)

C6 a) Movement in Expected credit losses (ECL)

Movement in ECL (Consolidated)

	Stage 1	Stage 2	Stage 3	Total
	RO 000	RO 000	RO 000	RO 000
Exposure subject to ECL (Standalone)				
- Loans and Advances to Customers	2,041,197	540,371	107,546	2,689,114
- Investment Securities (Debt)	71,755	-	-	71,755
- Loan Commitments and Financial Guarantees	553,635	305,299	228	859,162
- Due from Banks, Central Banks and Other Financial Assets	307,804	-	-	307,804
	2,974,391	845,670	107,774	3,927,835
Opening balance as at 1 January 2019				
- 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
Net transfer between stages				
- Loans and Advances to Customers	(616)	(4,608)	5,224	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	(24)	24	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	(640)	(4,584)	5,224	-
Charge for the year (net)				
- Loans and Advances to Customers	4,065	5,942	3,431	13,438
- Investment Securities (Debt)	(3)	-	-	(3)
- Loan Commitments and Financial Guarantees	858	(390)	(40)	428
- Due from Banks, Central Banks and Other Financial Assets	(133)	-	-	(133)
	4,787	5,553	3,391	13,731
Consolidation Adjustments				
- Loans and Advances to Customers	1,317	8,969	7,544	17,830
- Investment Securities (Debt)	10	-	-	10
- Loan Commitments and Financial Guarantees	45	53	504	602
- Due from Banks, Central Banks and Other Financial Assets	20	-	-	20
	1,392	9,022	8,048	18,462
Closing balance as at 30 Sep 2020				
- Loans and Advances to Customers	11,767	25,276	40,689	77,731
- Investment Securities (Debt)	74	-	-	74
- Loan Commitments and Financial Guarantees	1,369	(179)	464	1,654
- Due from Banks, Central Banks and Other Financial Assets	241	-	-	241
	13,451	25,097	41,153	79,701

**Oman Arab Bank SAOG****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)****C6 Loans, advances and financing activities for customers (continued)****C6 a) Movement in Expected credit losses (ECL) (continued)**

30 September 2019 (OAB SAOC)	Stage 1 RO 000	Stage 2 RO 000	Stage 3 RO 000	Total RO 000
Exposure subject to ECL				
- Loans and Advances to Customers	1,465,802	480,477	88,923	2,035,202
- Investment Securities (Debt)	12,323	-	-	12,323
- Loan Commitments and Financial Guarantees	433,053	519,254	6,123	958,430
- Due from Banks, Central Banks and Other Financial Assets	475,245	-	-	475,245
	2,386,423	999,731	95,046	3,481,200
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
	7,871	24,413	15,847	48,131
Net transfer between stages				
- Loans and Advances to Customers	390	(9,356)	8,966	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	(14)	14	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	376	(9,342)	8,966	-
Charge for the Period (net)				
- Loans and Advances to Customers	1,472	1,698	5,989	9,159
- Investment Securities (Debt)	33	-	-	33
- Loan Commitments and Financial Guarantees	6	(72)	-	(66)
- Due from Banks, Central Banks and Other Financial Assets	(162)	-	-	(162)
	1,349	1,626	5,989	8,964
Closing Balance - as at 30 September 2019				
- Loans and Advances to Customers	9,039	16,402	30,802	56,243
- Investment Securities (Debt)	47	-	-	47
- Loan Commitments and Financial Guarantees	136	293	-	429
- Due from Banks, Central Banks and Other Financial Assets	376	-	-	376
	9,598	16,695	30,802	57,095

**Oman Arab Bank SAOG****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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	As per CBO Norms	As per IFRS 9	RO 000 Difference
Impairment loss charged to profit and loss account	(15,011)	(15,011)	-
Provisions required as per CBO norms/held as per IFRS 9	84,657	79,701	(4,956)
Gross NPL ratio	4.00%	4.00%	
Net NPL ratio	2.06%	2.47%	

30 September 2019 (OAB SAOC)

	As per CBO Norms	As per IFRS 9	RO 000 Difference
Impairment loss charged to profit and loss account	(8,215)	(8,215)	-
Provisions required as per CBO norms/held as per IFRS 9	62,100	57,052	(5,048)
Gross NPL ratio	4.68%	4.68%	
Net NPL ratio	2.73%	3.16%	

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 September 2020, the balance under impairment reserve is RO 9,130 thousand, which is adequate to cover the above reserve requirement.



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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C6 Loans, advances and financing activities for customers (continued)

C6 c) Available and Booked

Consolidated

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
		RO 000	RO 000	RO 000	RO 000	RO 000	RO 000	RO 000	RO 000
(1)	(2)	(3)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4) - (10)	(8) = (3) - (5)	(9)	(10)
Standard	Stage 1	1,959,764	24,872	11,209	13,663	1,934,892	1,948,555	-	-
	Stage 2	234,414	2,344	5,791	(3,447)	232,070	228,623	-	-
	Stage 3	403	4	169	(165)	399	234	-	-
		2,194,581	27,220	17,169	10,051	2,167,360	2,177,411	-	-
Special Mention	Stage 1	82,977	820	561	258	82,157	82,416	-	-
	Stage 2	305,957	4,378	19,107	(14,729)	301,580	286,850	-	-
	Stage 3	205	2	93	(91)	203	112	-	-
		389,139	5,199	19,761	(14,562)	383,940	369,378	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	16,870	4,074	5,663	(1,589)	12,343	11,207	-	453
		16,870	4,074	5,663	(1,589)	12,343	11,207	-	453
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	8,828	3,683	3,469	214	4,765	5,359	-	381
		8,828	3,683	3,469	214	4,765	5,359	-	381
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	81,240	44,252	31,656	12,596	25,254	49,583	-	11,733
		81,240	44,252	31,656	12,596	25,254	49,583	-	11,733
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	931,650	-	1,681	(1,681)	931,650	929,969	-	-
	Stage 2	305,299	-	199	(199)	305,299	305,100	-	-
	Stage 3	228	228	102	126	-	126	-	-
		1,237,177	228	1,982	(1,754)	1,236,949	1,235,195	-	-
Total	Stage 1	2,974,391	25,692	13,451	12,240	2,948,699	2,960,939	-	-
	Stage 2	845,670	6,722	25,097	(18,375)	838,948	820,573	-	-
	Stage 3	107,774	52,244	41,153	11,091	42,964	66,621	-	12,566
	Total	3,927,835	84,657	79,701	4,956	3,830,611	3,848,134	-	12,566



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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C7 Investment securities

	Consolidated Unaudited Carrying value 30-Sep-20	OAB SAOC Unaudited Carrying value 30-Sep-19	OAB SAOC Audited Carrying value 31-Dec-19
Fair value through profit and loss(FVTPL)			
Quoted investments- Oman			
Banking and investment sector	3,502	3,760	3,754
	3,502	3,760	3,754
Quoted investments- Foreign			
Banking and investment sector	152	169	165
Total FVTPL	3,654	3,929	3,919
Investment measured at Fair Value and Other Comprehensive Income (FVOCI)			
Quoted investments- Oman			
Banking and investment sector	3,361	-	216
Manufacturing sector	767	875	784
Service sector	40,074	840	802
	44,202	1,715	1,802
Quoted investments- Foreign			
Banking and investment sector	1,147	764	807
Service sector	98	154	130
	1,245	918	937
Unquoted investments			
Banking and investment sector	168	603	593
Service sector	570	169	169
	738	772	762
Total FVOCI	46,185	3,405	3,501
Investment measured at amortised cost			
Quoted investments- Oman			
Government Development Bonds	162,593	138,570	143,994
Government Sukuk	18,095	636	3,172
Corporate Bonds	9,314	10,817	10,836
Total amortised cost	190,002	150,023	158,002
Total financial investments	239,841	157,357	165,422



Oman Arab Bank SAOG

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C7 Investment securities (continued)

The following table contains their levels in the fair value hierarchy as of 30 September 2020.

30 Sep 2020 (Unaudited)

	Level 1 RO'000	Level 3 RO'000	Total RO'000
Investment measured at FVTPL			
Quoted investments	3,654	-	3,654
Unquoted investments	-	-	-
Investment measured at FVOCI			
Quoted investments	45,447	-	45,447
Unquoted investments	-	738	738
Investment measured at amortised cost			
Quoted investments	190,002	-	190,002
Unquoted investments	-	-	-
Total financial investments	239,103	738	239,841

C8 Property and equipment

	Land and buildings RO 000	Computer equipment RO 000	Furniture and fixture RO 000	Motor Vehicles RO 000	Capital WIP RO 000	Right- of-use assets RO 000	Total RO 000
Cost							
At 1 January 2020	21,743	20,997	13,682	357	5,972	8,609	71,360
Additions	3,673	1,915	1,034	-	4,108	91	10,821
Transfers	565	69	-7	-	-148	-	479
Disposals / Reclass	-160	-3,883	-1,297	-38	-3,721	-	-9,099
Acquisition adjustment	-	2,326	1,005	-	101	7,421	10,853
At 30 Sep 2020	25,821	21,424	14,417	319	6,312	16,121	84,414
Depreciation							
At 1 January 2020	3,908	15,761	9,950	294	-	1,722	31,635
Charge for the period	517	1,880	1,103	24	-	1,465	4,989
Disposals / Reclass	-	-3,345	-657	-38	-	-	-4,040
Acquisition adjustment	-	1,840	856	-	-	4,623	7,319
At 30 Sep 2020	4,425	16,136	11,252	280	0	7,810	39,903
Net book value							
At 30 Sep 2020 (Unaudited)	21,396	5,288	3,165	39	6,312	8,311	44,511
At 30 Sep 2019 (Unaudited)	17,947	5,162	3,695	73	2,080	7,318	36,275
At 31 December 2019 (audited)	17,835	5,236	3,732	63	5,972	6,887	39,725

C9 Other assets

	Consolidated Unaudited 30-Sep-20 RO'000	OAB SAOC Unaudited 30-Sep-19 RO'000	OAB SAOC Audited 31-Dec-19 RO'000
Interest and commission receivable	44,138	23,842	24,848
Acceptances	21,839	18,147	21,988
Prepayments	4,278	2,755	2,825
Credit card settlement	500	1,165	1,237
Positive Fair Value change - Forward contracts	626	275	226
Others	9,917	3,083	4,062
	81,298	49,267	55,186

**Oman Arab Bank SAOG****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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	Consolidated Unaudited 30-Sep-20 RO'000	OAB SAOC <i>Unaudited</i> 30-Sep-19 RO'000	OAB SAOC <i>Audited</i> 31-Dec-19 RO'000
Current accounts	9,075	9,984	7,725
Money at call and short term deposits	17,850	67,925	23,740
	26,925	77,909	31,465

C11 Customers' deposits

	Consolidated Unaudited 30-Sep-20 RO'000	OAB SAOC <i>Unaudited</i> 30-Sep-19 RO'000	OAB SAOC <i>Audited</i> 31-Dec-19 RO'000
Demand and call accounts	951,966	709,840	777,386
Term deposits	1,230,335	909,170	914,079
Savings accounts	527,210	307,871	306,971
	2,709,511	1,926,881	1,998,436

C12 Other liabilities

	Consolidated Unaudited 30-Sep-20 RO'000	OAB SAOC <i>Unaudited</i> 30-Sep-19 RO'000	OAB SAOC <i>Audited</i> 31-Dec-19 RO'000
Interest Payable	31,568	22,166	24,251
Liabilities under acceptances	21,839	18,147	21,988
Accrued expenses and others	21,963	12,043	11,409
Certified cheques and unpaid cheques	1,676	2,963	2,756
Interest and commission received in advance	1,958	2,424	2,858
Staff related provisions	1,640	917	910
Credit card settlement	6	368	291
Negative Fair Value change - Forward contracts	225	56	196
Lease Liability	5,596	7,318	7,039
	86,471	66,402	71,698

C13 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.

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



Oman Arab Bank SAOG

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C13 Subordinated debt (continued)

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.

C14 (a) Share capital

The authorized capital of the Bank is RO 200,000,000 (2019: 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 100 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 of Oman Arab Bank SAOC as of 1 Jan 2020	1,346,200,000
Total number of shares as at 30 Sep 2020	<u>1,669,410,000</u>

30 September 2020

	Shareholding %	Number of shares	RO 000
Arab Bank Plc	49.00%	818,010,900	81,801
Oman International Development & Investment Co. SAOG	31.64%	528,189,100	52,819
Various parties, including Trusts	19.36%	323,210,000	32,321
	100.00%	1,669,410,000	166,941

30 September 2019

	Shareholding %	Number of shares	RO 000
Arab Bank Plc	49.00%	65,964,000	65,964
Oman International Development & Investment Co. SAOG	50.99%	68,643,000	68,643
Oman Real Estate Investment Services SAOC	0.01%	13,000	13
	100.00%	1,346,620,000	134,620

C14 (b) Share premium

As disclosed in note C3, the Bank has issued shares on premium for acquisition of AIB. Below is the summary of the reported share premium in the statement of financial position and statement of changes in equity:

Premium per shares (RO) – A	0.113
Issue of shares to shareholders of AIB (323,210,000) – B	32,321
Share premium (A x B)	36,565



C15 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.

C16 Other non-distributable reserves

	<i>Subordinated debt reserve RO'000</i>	<i>Special reserve RO'000</i>	<i>Total RO'000</i>
At 30 September 2020	16,000	3,915	19,915
At 30 September 2019	12,000	3,915	15,915
At 31 December 2019(audited)	16,000	3,915	19,915

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

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

C17 Tier 1 Perpetual Bonds

- a) 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.
- b) 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.



C17 Tier 1 Perpetual Bonds (continued)

- c) 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. The Bond under note (a) has First Call Date on 29 January 2021 or on any interest payment date thereafter subject to the prior consent of the regulatory authority. Due to prevailing situation, the Management has decided not to call the bonds on first call date and extend the call date for one year.

C18 Interest income

	Nine months ended		Three months ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	RO'000	RO'000	RO'000	RO'000
		Unaudited		
Loans and advances	81,517	77,585	26,972	26,762
Placements with banks	1,294	1,693	358	623
Interest from securities	6,570	5,314	2,265	1,840
	89,381	84,592	29,595	29,225

C19 Interest expense

	Nine months ended		Three months ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	RO'000	RO'000	RO'000	RO'000
		Unaudited		
Time deposits	25,768	23,825	9,158	8,216
Subordinated bonds	826	823	278	278
Saving, call accounts & others	7,155	5,616	2,753	1,895
Interest cost on lease liabilities	219	273	68	171
	33,968	30,537	12,257	10,560

C20 Other operating income

	Nine months ended		Three months ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	RO'000	RO'000	RO'000	RO'000
		Unaudited		
Fees and commissions	7,524	8,852	2,790	1,878
Exchange income	4,174	4,322	1,046	1,398
Other income	36	86	11	11
	11,734	13,260	3,847	3,287

**Oman Arab Bank SAOG****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)****C21 Asset liability gap**

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

Consolidated
30 September 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	1,189,586	578,423	611,163	1,032,498
3 - 12 month	327,065	751,367	(424,302)	855,664
1 – 5 years	843,149	1,109,528	(266,379)	(272,372)
More than 5 years	1,385,310	1,308,286	77,024	(2,494)
Total	3,745,110	3,747,604	(2,494)	

OAB SAOC
30 September 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	974,789	628,617	346,172	677,974
3 - 12 month	233,894	844,906	(611,012)	(30,665)
1 – 5 years	537,013	568,372	(31,359)	(736,701)
More than 5 years	1,025,651	733,695	291,956	(4,243)
Total	2,771,347	2,775,590	(4,243)	

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)
Total	2,782,062	2,785,799	(3,737)	



Oman Arab Bank SAOG

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

C22 Related party transactions

The 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 September 2020, balances with directors and other related parties were as follows:

Balances	Sep-20		Sep-19	
	RO' 000		RO' 000	
	Major Shareholders	Others	Major Shareholders	Others
Loans and advances	24,016	71,982	1	65,994
Customers' deposits	19,173	33,710	775	29,888
Due from banks	5,415	-	7,095	-
Due to banks	7,284	-	163	-
Stand by line of credit	38,500	-	38,500	-
Letters of credit, guarantees and acceptances	100,178	4,033	133,679	3,024
Shari'a transaction	2	5,000	-	-

The Income Statement includes the following amounts in relation to the transactions with related parties:

Interest & commission income	394	2,444	228	2,126
Interest & commission expense	578	686	375	511
Income from financing and others	517	-	-	-
Expenses for Islamic activities	1,013	-	-	-

Senior management compensation

	Consolidated Unaudited 30-Sep-20 RO'000	OAB SAOC Unaudited 30-Sep-19 RO'000
Salaries and other short term benefits	1,733	957
End of service benefits	30	43
	1,763	1,000

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.



C23 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 September 2020 were as follows:

	Consolidated Unaudited 30-Sep-20 RO'000	OAB SAOC Unaudited 30-Sep-19 RO'000	OAB SAOC Audited 31-Dec-19 RO'000
Letters of credit	85,688	191,695	162,993
Guarantees	432,612	564,326	557,036
Irrevocable financing commitments	57,690	-	-
	575,990	756,021	720,029

C23 Contingencies and commitments (continued)

The irrevocable financing commitments pertains to AIB, which have been added post merger. Letters of credit and guarantees amounting to RO 428,282,666 (30 September 2019: RO 407,880,347; 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:

	Consolidated Unaudited 30-Sep-20 RO'000	OAB SAOC Unaudited 30-Sep-19 RO'000	OAB SAOC Audited 31-Dec-19 RO'000
Sales	90,446	114,396	86,043
Purchases	(90,522)	(114,704)	(86,074)
	(76)	(308)	(31)



Oman Arab Bank SAOG

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

C24 Basic Earnings per share / Net assets value per share

a) Basic and diluted earnings per share

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>Unaudited 30-Sep-20</i>	<i>Unaudited 30-Sep-19</i>	<i>Unaudited 30-Sep-20</i>	<i>Unaudited 30-Sep-19</i>
Profit for the period (RO'000)	13,716	20,241	3,331	5,496
Less: Interest on tier 1 perpetual bond	(2,758)	(2,776)	-	-
Profit attributable to shareholders	10,958	17,465	3,331	5,496
Weighted average number of shares outstanding during the year	1,453,936,667	1,346,200,000	1,453,936,667	1,346,200,000
Basic and diluted earnings per share: - for the period (RO)	0.008	0.013	0.002	0.004

Weighted average number of shares outstanding

	Number of Shares	Time Weighting	Weighted Average Shares
1 January 2020 to 29 June 2020	1,346,200,000	6/9	897,466,667
30 June 2020 to 30 September 2020	1,669,410,000	3/9	556,470,000
Weighted average number of shares as at 30 Sep 2020			1,453,936,667

On 30 June 2020, the Bank issued additional 323,210,000 ordinary equity shares to the shareholders of Alizz Islamic Bank SAOG post acquiring 100 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.

b) Net assets value per share

	<i>Unaudited 30-Sep-20</i>	<i>Unaudited 30-Sep-19</i>	<i>Audited 31-Dec-19</i>
Total equity (RO'000)	433,166	359,396	368,843
Weighted average number of shares outstanding during the year	1,453,936,667	1,346,200,000	1,346,200,000
Net assets per share	0.298	0.267	0.274

C25 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 CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)****C25 Capital adequacy (continued)**

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

	Consolidated	<i>OAB SAOC</i>	<i>OAB SAOC</i>
	30-Sep-20	<i>30-Sep-19</i>	<i>31-Dec-19</i>
	RO'000	<i>RO'000</i>	<i>RO'000</i>
Capital			
Common Equity Tier 1 (CET 1)	337,360	267,942	270,283
Additional Tier 1	72,553	72,553	72,553
	<hr/>	<hr/>	<hr/>
Total Tier 1	409,913	340,495	342,836
Tier II	25,773	28,756	21,206
	<hr/>	<hr/>	<hr/>
Total capital base	435,686	369,251	364,042
	<hr/>	<hr/>	<hr/>
Risk Weighted Assets			
Credit risk	2,605,258	2,296,086	2,215,780
Market risk	28,426	20,700	18,288
Operation risk	193,885	148,375	161,463
	<hr/>	<hr/>	<hr/>
Total risk weighted assets	2,827,569	2,465,161	2,395,531
	<hr/>	<hr/>	<hr/>
BIS Capital Adequacy Ratio	15.41%	14.98%	15.20%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Tier 1 Capital Adequacy Ratio	14.50%	13.81%	14.31%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Common Equity Tier 1 Ratio	11.93%	10.87%	11.28%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

C26 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.

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, this segment comprises the balances of AIB which includes Al Yusr Islamic Window which was transferred to AIB on 6 July 2020.



C26 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
At 30 Sep 2020 (OAB SAOG)						
Net operating income	<u>51,510</u>	<u>24,300</u>	<u>9,301</u>	<u>(17,964)</u>	<u>6,244</u>	<u>73,391</u>
Segmental assets	<u>1,199,814</u>	<u>709,931</u>	<u>149,731</u>	<u>330,894</u>	<u>889,869</u>	<u>3,280,239</u>
At 30 Sep 2019 (OAB SAOC)						
Net operating income	<u>48,430</u>	<u>28,730</u>	<u>7,292</u>	<u>(17,137)</u>	<u>2,644</u>	<u>69,959</u>
Segmental assets	<u>1,104,040</u>	<u>724,314</u>	<u>370,127</u>	<u>90,708</u>	<u>165,795</u>	<u>2,454,984</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.

C27 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 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.