

# OFFER DOCUMENT

Only for AIB Shareholders

THIS OFFER DOCUMENT CONTAINS INFORMATION RELATING TO A TAKEOVER OFFER BY OMAN ARAB BANK SAOC, ACTING IN CONCERT WITH A TRUST ESTABLISHED BY OMINVEST AND ARAB BANK PLC, TO ACQUIRE 100 PER CENT ISSUED SHARE CAPITAL OF ALIZZ ISLAMIC BANK SAOG PURSUANT TO THE TAKEOVER AND ACQUISITION REGULATION (E/2/2019)

## TAKEOVER OFFER

RELATING TO OMAN ARAB BANK SAOC'S PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ALIZZ ISLAMIC BANK SAOG

ACQUISITION OF

**1,000,000,000 issued & paid-up shares of Alizz Islamic Bank SAOG**

CONSIDERATION

**Consideration Shares and Cash Consideration, as per the terms of this Offer Document**

OFFER OPENS

June 24, 2020

OFFER CLOSES

June 28, 2020

OFFEROR



TARGET COMPANY



OFFER MANAGER



LEGAL ADVISOR

DENTONS

This Offer Document has been prepared in accordance with the applicable guidelines stipulated by the CMA. This is an unofficial English version of the original Offer Document prepared in Arabic and approved by the CMA by its letter reference no. CMA/690/2020 dated 22<sup>nd</sup> June 2020. Consent of this Offer Document by the CMA shall not be taken to suggest that the CMA recommends the Offer. In the event of any conflict between the English and Arabic versions of the Offer Document, the Arabic version will prevail. The CMA assumes neither responsibility for the accuracy and adequacy of the statements and information contained in this Offer Document nor shall it have any liability for any damage or loss resulting from the reliance upon, or use of, any part of the same by any person.



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## 1. IMPORTANT NOTICE TO AIB SHAREHOLDERS

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This Offer Document includes all material information and data deemed appropriate by OAB and, to OAB's knowledge, does not contain any misleading information or omit any material information that would have a positive or negative impact on the decision to be taken by AIB Shareholders as to whether or not they should accept the Offer.

The Directors of OAB are jointly and severally responsible for the integrity and adequacy of the information contained in, and confirm that to their knowledge appropriate due diligence has been conducted in the preparation of this Offer Document and further confirm that no material information has been omitted, the omission of which would render this Offer Document misleading.

All AIB Shareholders should carefully examine and review this Offer Document in order to decide whether they would like to accept the Offer, by taking into consideration all the information contained in this Offer Document in its proper context. AIB Shareholders should not consider this Offer Document as a recommendation by OAB, the OAB Directors, the Offer Manager or the Legal Advisor to accept the Offer. Every AIB Shareholder shall bear the responsibility of obtaining independent professional advice on whether to accept the Offer and should conduct an appropriate independent evaluation of the information and assumptions contained herein.

No person has been authorized to make any statements or provide information in relation to OAB or the Offer other than the persons whose names are indicated in this Offer Document to do so. Where any person makes any statement or provides information it should not be taken as authorized by OAB, the OAB Directors, the Offer Manager or the Legal Advisor and no reliance should be placed on any such statement by any person.

Statements contained in this Offer Document are made as at the date of this Offer Document unless some other time is specified in relation to them and the publication of this Offer Document (or any action taken pursuant to it) must not be interpreted as giving rise to any implication that there has been no change in the facts or affairs of OAB since such date. Nothing contained in this Offer Document is intended to be, or shall be deemed to be, a forecast, projection or estimate of the current or future financial performance of OAB.

## 2. FORWARD LOOKING STATEMENTS

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This Offer Document contains statements that constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward-looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to materially differ from the way implicitly portrayed within this Offer Document. The use of any of the words "aim", "anticipate", "continue", "estimate", "objective", "plan", "schedule", "intend", "expect", "may", "will", "project", "propose", "should", "believe" "will continue", "will pursue" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect current expectations regarding future results or events and are based on various estimates, factors and assumptions. OAB believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Moreover, forward-looking statements involve inherent risks and uncertainties and speak only as at the date they are made and should not be relied upon as representing OAB's estimates as of any subsequent date.

OAB cautions the AIB Shareholders that several important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. These factors include, but are not limited to, the following:

- The level of demand for OAB's products and services;
- The competitive environment and the potential increase in number of competitors;
- Regulatory, legal and fiscal developments;
- Fluctuations in foreign exchange rates, equity prices or other rates or prices;
- The inability to estimate future performance;
- The performance of the Omani economy and economies of other jurisdictions where OAB's clients are located;
- The inability for OAB to successfully implement its strategy, growth and expansion plans; and
- Other factors described under the chapter "Risk Factors and Mitigants" in this Offer Document.

OAB cannot provide any assurance that forward-looking statements will materialize. OAB, the OAB Directors, the Offer Manager, and the Legal Advisor and any of their respective affiliates disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless required by Applicable Law.

For a description of material factors that could cause OAB's actual results to differ materially from the forward-looking statements in this Offer Document, see the chapter titled "Risk Factors and Mitigants" of this Offer Document. The risk factors described in this Offer Document are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the forward-looking statements.

### 3. PRESENTATION OF FINANCIAL, SECTOR, AND MARKET DATA

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**Financial Data:** The Offer Manager has not independently verified any of the financial / other data prepared by the OAB Directors. Please see the chapter titled “Risk Factors” in this Offer Document.

OAB’s financial year commences on January 1 and ends on December 31.

In this Offer Document, any discrepancy between the total and the sum of the relevant amounts listed is due to rounding.

**Currency of Presentation:** All references to “RO” are to Omani Rial, the official currency of Oman. The Omani Rial is pegged to the U.S. Dollar and the pegged exchange rate is RO 1 = US Dollar 2.6008. RO 1 is composed of 1,000 Baizas.

**Summary or Extracts of Documents:** Any summaries of documents or extracts of documents contained in the Offer Document should not be relied upon as being comprehensive statements in respect of such documents.

**Sector and Market Data:** Sector and market data in this Offer Document has been obtained from third parties or from public sources such as websites and publications. Neither OAB, the OAB Directors, the Offer Manager nor the Legal Advisor have independently verified any of the data from third party sources referred to in this Offer Document or ascertained the underlying assumptions relied upon by such sources. In addition, the Offer Manager or the Legal Advisor have not independently verified any of the sector data or other sources referred to in this document. Therefore, the sector and market data's accuracy and completeness are not guaranteed and its reliability cannot be assured. The extent to which the sector and market data used in this Offer Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

## 4. ADDITIONAL POINTS TO BE NOTED

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**Scope of Information:** The information contained in this Offer Document is being provided in compliance with the provisions of Applicable Law and is intended to provide the AIB Shareholders with information relating to the Offer. However, this Offer Document does not necessarily contain all the information that an AIB Shareholder may consider material. The content of this Offer Document is not to be construed as legal, business or tax advice. Each AIB Shareholder should consult its own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to the acceptance of the Offer.

**Due Diligence:** Prior to making any decision as to whether to accept the Offer, the AIB Shareholders should read this Offer Document in its entirety. In making a decision, the AIB Shareholders must rely upon their own examination of the terms of this Offer Document and the risks involved in accepting the Offer.

**Equity Risk:** All equity investments carry market risks to varying degrees. The value of any security can fall as well as rise depending on the market conditions. The AIB Shareholders should read the chapter related to “Risk Factors” of this Offer Document.

**Restrictions on Distribution of this Offer Document:** The distribution of this Offer Document is restricted to the AIB Shareholders. OAB, the OAB Directors, the Offer Manager, and the Legal Advisor require persons into whose possession this Offer Document comes to inform themselves of, and observe, all such restrictions set out in this Offer Document. None of OAB, the OAB Directors, the Offer Manager, or the Legal Advisor accept any legal responsibility for any violation of any such restrictions on the Offer by any person, whether or not an AIB Shareholder.

**Restrictions on use of Information Contained in this Offer Document:** The information contained in this Offer Document may not be published, duplicated, copied or disclosed in whole or in part or otherwise used for any purpose other than in connection with the Offer, without the prior written approval of OAB and the Offer Manager.

**Disclaimer of Implied Warranties:** Except as required under Applicable Law, no representation or warranty, express or implied, is given by OAB, the Offer Manager, or the Legal Advisor, or any of their respective directors, managers, accountants, lawyers, employees or any other person as to the completeness of the contents of this Offer Document; or of the projections included within; or of any other document or information supplied at any time in connection with, the Offer; or that any such document has remained unchanged after the issue thereof.

## 5. DEFINITIONS & ACRONYMS

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|                   |  |
|-------------------|--|
| Acceptance Form   | The acceptance form to be used by AIB Shareholders to submit their acceptance of the Offer to either receive Consideration Shares or Cash Consideration pursuant to the terms of the Offer Document. These forms will be sent to each AIB Shareholder through email. |
| AGM               | An annual general meeting of shareholders of a company convened and held pursuant to Article 172 of the CCL.   |
| AIB or the Target | Alizz Islamic Bank SAOG.   |
| AIB Board         | The board of directors of AIB, and "AIB Directors" shall be construed accordingly.   |
| AIB Delisting     | The conversion by AIB of its status from a public joint stock company to a closed joint stock company and the delisting of its shares from the MSM, in accordance with Applicable Law.   |
| AIB SAOC          | AIB, in its form as a closed joint stock company following the AIB Delisting.  |
| AIB SAOG          | AIB, in its form as a public joint stock company prior to the AIB Delisting.   |
| AIB Shareholders  | The shareholders of AIB SAOG.  |
| Al Yusr           | The Al Yusr Islamic Banking Window of OAB.   |
| Al Yusr SPA       | The sale and purchase agreement to be entered into between the Banks in respect of the transfer by OAB of the assets and liabilities of Al Yusr to AIB, which shall be entered into by the Banks, and completed simultaneously, immediately after the AIB Delisting. |
| Applicable Law    | The laws and regulations in Oman in force on the date of this Offer Document.  |
| Arab Bank         | Arab Bank PLC.   |
| ATMs              | Automated Teller Machines.   |
| Baiza(s)          | One thousandth of an RO (Baizas 1,000 = RO 1).   |
| Banking Law       | The Banking Law (promulgated by Royal Decree 114/2000 (as amended)).   |
| Banks             | OAB and AIB (or each of them, as the context requires).  |
| Bonds             | The RO 30 million and RO 42.55 million Perpetual Tier 1 Subordinated Bonds issued by OAB in December 2016 and October 2018 respectively.   |
| Business Day      | A day, other than a Friday or Saturday or other holiday declared for the banking sector in Oman, when banks in Oman are generally open for the transaction of normal business.   |
| CAGR              | Compounded Annual Growth Rate  |
| CAR               | Capital Adequacy Ratio   |

|                                     |   |
|-------------------------------------|---|
| Cash Acceptance Qualification       | <p>The following qualifications for an AIB Shareholder, who accepts the Offer in return for Cash Consideration as opposed to Consideration Shares:</p> <ul style="list-style-type: none"> <li>• to be a Shari'a compliant AIB Shareholder (as declared on the Acceptance Form); and</li> <li>• an AIB Shareholder whose shares in AIB SAOG are not subject to an Encumbrance,</li> </ul> <p>provided that the maximum number of AIB Shareholders who shall be eligible to receive Cash Consideration in aggregate holding 24.99 per cent of the total issued share capital of AIB SAOG.</p> |
| Cash Consideration                  | <p>Cash to be paid by the Trust to the Exiting AIB Shareholders, calculated by reference to the Net Asset Value of the number of shares in OAB SAOC such Exiting AIB Shareholder would have been entitled to receive in accordance with the terms of this Offer had such Exiting AIB Shareholder been a Continuing AIB Shareholder. Accordingly, this equates to <b>RO 0.0688 for each AIB share held by the Exiting AIB Shareholder</b> as of 31 March 2020.</p>   |
| Capital Market Authority or the CMA | <p>The Capital Market Authority of Oman.</p>  |
| Capital Market Law                  | <p>The Capital Market Law of Oman promulgated by Royal Decree Number 80/98 (as amended).</p>  |
| CBO                                 | <p>The Central Bank of Oman.</p>  |
| CCL or Companies Law                | <p>The Commercial Companies Law of Oman promulgated by Royal Decree Number 18/2019 (as amended).</p>  |
| CDMs                                | <p>Cash deposit machines.</p>   |
| CEO                                 | <p>The chief executive officer of OAB.</p>  |
| Chairman                            | <p>The chairman of the OAB Board.</p>   |
| Competent Authority                 | <p>The CMA, the CBO, the MOCI and any other person or relevant regulator having jurisdiction over either of the Banks, the Takeover, or having competence in respect of any implementation step to be taken pursuant to the terms of this Offer Document.</p>   |
| Compulsory Acquisition              | <p>The acquisition of the remaining 10 per cent or less shares in AIB from the AIB Shareholders who did not accept the Offer pursuant to the "squeeze-out" provisions of Articles 62 to 65 (inclusive) of the Takeover Regulation.</p>  |
| Consideration Shares                | <p>The new shares in OAB SAOC, issued by OAB SAOC to the Continuing AIB Shareholders, calculated by reference to the Final Share Swap Ratio.</p>  |

|                                |   |
|--------------------------------|---|
| Continuing AIB Shareholders    | <p>Those AIB Shareholders who:</p> <p>(a) (i) accept the Offer and opt to receive Consideration Shares; or (ii) accept the Offer and opt to receive Cash Consideration [but do not satisfy the Cash Acceptance Qualification]; and</p> <p>(b) fail to respond to the Offer and are deemed to have accepted the Offer pursuant to the "squeeze-out" provisions of Articles 62 to 65 (inclusive) of the Takeover Regulation.</p>  |
| EGM                            | An extraordinary general meeting of shareholders of a company convened and held pursuant to Article 176 of the CCL.   |
| Encumbrance                    | <p>Any interest or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement.</p> <p>In the context of the Takeover Offer, AIB shares pledged by AIB Shareholder with any financial institution or blocked due to restriction or court order from any court or related authority.</p> |
| Exiting AIB Shareholders       | Those AIB Shareholders who elect to accept the Offer in exchange for Cash Consideration [and satisfy the Cash Acceptance Qualification provided that the maximum number of AIB Shareholders who shall be eligible to receive Cash Consideration shall be AIB Shareholders representing in aggregate 24.99 per cent of the total issued share capital of AIB SAOG.   |
| FFM                            | Full Function Machines.   |
| Final Share Swap Ratio or FSSR | A final share swap ratio which, based on the net assets of the Banks as at 31 March 2020 and reviewed by their respective external auditors, was determined to be 80.64:19.36, and as such entitles each Continuing AIB Shareholder to receive 0.323 shares in OAB SAOC for every one (1) share he holds in AIB SAOG.   |
| Financial Year                 | The period of twelve months starting on January 1 and ending on December 31 of that particular year.  |
| GCC                            | The Gulf Cooperation Council which is composed of Oman, United Arab Emirates, Saudi Arabia, Qatar, Bahrain and Kuwait.  |
| GDP                            | Gross domestic product.   |
| Government                     | The Government of Oman.   |
| IFRS                           | International Financial Reporting Standards.  |
| IMF                            | International Monetary Fund   |
| Legal Advisor                  | Dentons & Co. Oman Branch.  |
| MCDC                           | The Muscat Clearing and Depository Company SAOC.  |
| MENA                           | Middle East and North Africa.   |
| MOCI                           | The Ministry of Commerce and Industry of Oman.  |

|                    |   |
|--------------------|---|
| MSM                | The Muscat Securities Market established by Royal Decree 53/88 as the Oman stock exchange.  |
| NCSI               | National Centre for Statistics and Information, Oman.   |
| Net Asset Value    | Calculated as total assets minus total liabilities.   |
| NPL                | Non-Performing Loans.   |
| OAB Board          | The board of directors of OAB, and "OAB Directors" shall be construed accordingly.  |
| OAB or the Offeror | Oman Arab Bank SAOC, a closed joint stock company incorporated in Oman and registered office at PO Box 2010, Postal Code 112 Ruwi, Oman.  |
| OAB Listing        | The conversion by OAB of its status from a closed joint stock company to a public joint stock company and the listing of its shares on the MSM for public trading, subject to CMA approval. |
| OAB Management     | The senior management of OAB as specified in Chapter 16 - Corporate Governance, of this Offer Document.   |
| OAB SAOG           | OAB in its form as a public joint stock company following the OAB Listing.  |
| Offer              | The offer from OAB SAOC and the Trust to the AIB Shareholders pursuant to the terms of this Offer Document.   |
| Offer Closing Date | The closing date of the Offer, which is described in the Chapter "Acceptance of Offer - Terms, Conditions & Procedure" of this Offer Document.  |
| Offer Date         | The date of this Offer Document.  |
| Offer Document     | This document containing the Offer and the Acceptance Form.   |
| Offer Manager      | Ubhar Capital SAOC.   |
| Offer Opening Date | The opening date of the Offer, which is described in the Chapter "Acceptance of Offer - Terms, Conditions & Procedure" of this Offer Document.  |
| Offer Period       | The period between the Offer Opening Date and the Offer Closing Date inclusive of both days during which an AIB Shareholder can submit an Acceptance Form.                                  |
| Oman               | The Sultanate of Oman.  |
| OMINVEST           | Oman International Development and Investment Co. SAOG.   |
| OMR or RO          | Omani Rial, the lawful currency of Oman.  |
| Record Date        | 23 <sup>rd</sup> June 2020  |
| SAOC               | Omani closed joint stock company.   |
| SAOG               | Omani public joint stock company.   |

|                          |  |
|--------------------------|--|
| SME                      | Small and Medium Enterprises.  |
| SSB                      | Shari'a Supervisory Board  |
| Takeover                 | The acquisition of the shares in AIB SAOG by OAB and the Trust, pursuant to the terms of this Offer.   |
| Takeover Completion      | The completion of the Takeover which shall occur on the date the Consideration Shares are issued to the Continuing AIB Shareholders and the Cash Consideration is paid to the Exiting AIB Shareholders post completion of the Offer Period and implementation of Compulsory Acquisition. |
| Takeover Completion Date | The date on which the Takeover Completion occurs.  |
| Takeover Regulation      | The Omani Takeover and Acquisition Regulation (E/2/2019).  |
| The Banks                | OAB and AIB  |
| Trust                    | A trust established by OMINVEST and Arab Bank with U Capital as trustee.   |
| Trust Share Swap         | The process whereby shares in AIB SAOG, held by the Trust following the Takeover, are swapped for shares in OAB (to be issued by OAB on terms reflecting the Final Share Swap Ratio).  |
| UAE                      | United Arab Emirates.  |
| USD                      | United States Dollar.  |

## 6. INDICATIVE OFFER TIMELINE AND IMPLEMENTATION

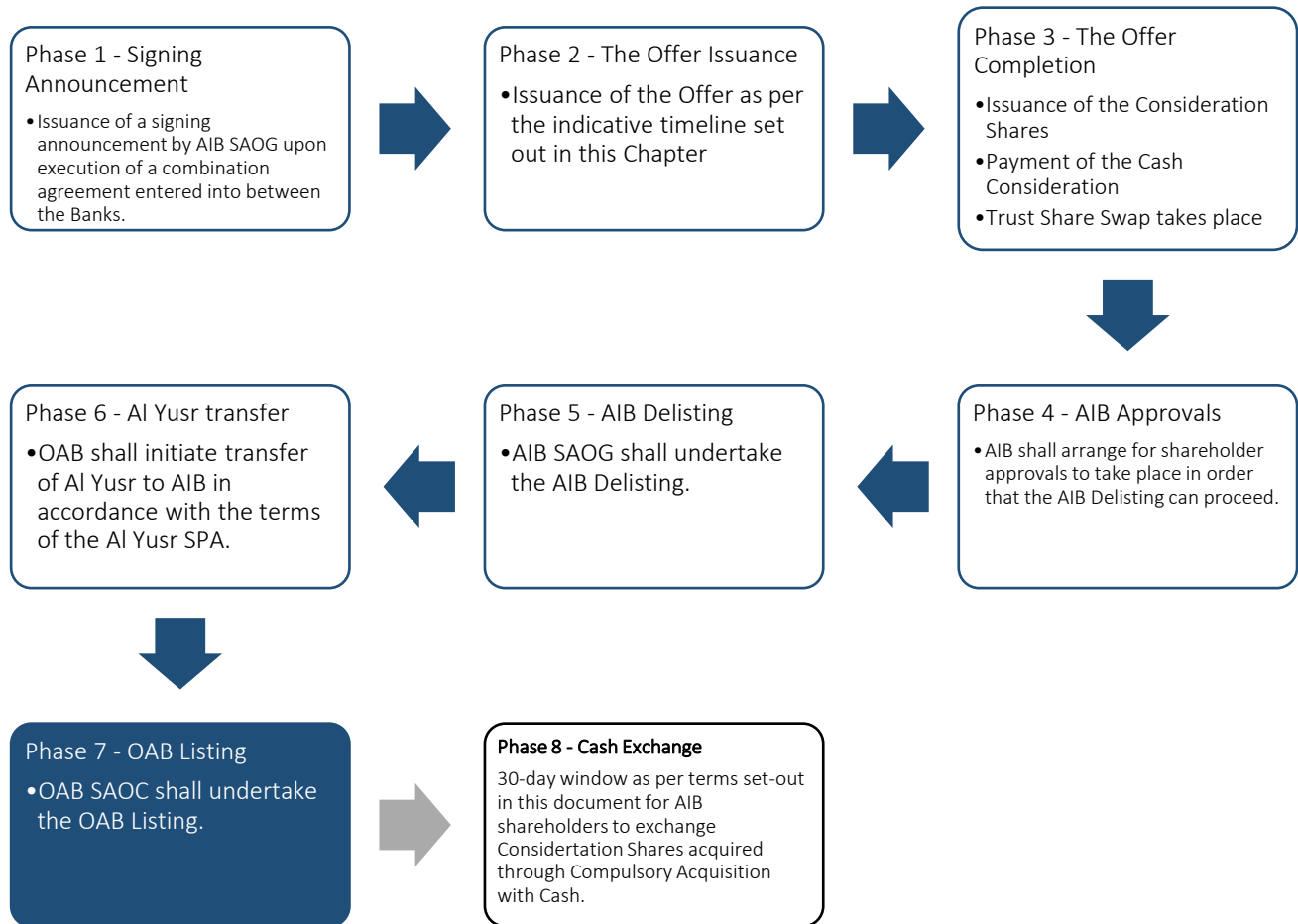
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### 6.1 Indicative Timeline

| #  | Description   | Date         |
|----|---|--------------|
| 1  | Offer Announcement  | 17 June 2020 |
| 2  | Offer Document sent out to AIB board of directors and shareholders  | 24 June 2020 |
| 3  | The Offer Period opens  | 24 June 2020 |
| 4  | Upon, and subject to, OAB receiving Acceptance Forms from AIB Shareholders holding at least 90 per cent of the shares in AIB, OAB will notify the CMA and the MSM of the same and issue an announcement | 24 June 2020 |
| 5  | The Offer Period closes   | 28 June 2020 |
| 6  | OAB to issue the Consideration Shares and the Trust to pay the Cash Consideration   | 30 June 2020 |
| 7  | OAB acquires remaining shares - Compulsory Acquisition  | 30 June 2020 |
| 8  | The Trust Share Swap takes place  | 30 June 2020 |
| 9  | The AIB Delisting takes place   | 06 July 2020 |
| 10 | Enter into Al Yusr SPA  | 06 July 2020 |
| 11 | List Oman Arab Bank as a public listed company (SAOG)   | 06 July 2020 |
| 12 | Last date for eligible AIB Shareholders who were subject to Compulsory Acquisition to inform the Offer Manager in writing seeking cash equivalent   | 28 July 2020 |

**Note:** The above timeline is indicative only and may be subject to change, following review and input from the Competent Authorities, and is further subject to the non-objection of the creditors of AIB during the AIB Delisting (as per the CCL).

## 6.2 Offer related Implementation



## 7. SUMMARY OF THE OFFER

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### 7.1 OFFER DETAILS

|  |  |
|--|--|
| Offeror                                | Oman Arab Bank SAOC, a closed joint stock company incorporated in Oman and registered office at PO Box 2010, Postal Code 112 Ruwi, Oman  |
| Person acting in concert with Offeror  | A trust (“Trust”) established by OMINVEST and Arab Bank as beneficial owners, with Ubhar Capital SAOC (“U Capital”) as trustee of the Trust  |
| The Trust                              | The Trust has been established by OMINVEST and Arab Bank (“OAB Shareholders”) as beneficial owners, with 51 per cent and 49 per cent ownership respectively. U Capital has been appointed as the Trustee of the Trust pursuant to a trust agreement entered into between the OAB Shareholders and U Capital.   |
| The Target                             | Alizz Islamic Bank SAOG, a listed joint stock company incorporated in Oman and registered office at P.O. Box 753 CBD Area, PC 112, Oman  |
| Offer                                  | <p>The offer by OAB and the Trust to acquire the entire issued share capital of AIB SAOG (1,000,000,000 fully paid-up shares as at the Record Date).</p> <p>Unless elected otherwise by OAB and the Trust, completion of the Takeover is subject to (i) acceptance by AIB Shareholders representing a minimum of 90 per cent of the shares in AIB and (ii) all the AIB Shareholders listed in paragraph 7.4.2 (D) of this Offer Document accepting the Offer as per their respective undertakings issued to OAB.</p> |
| Offer Dates                            | Offer Opens: 24 <sup>th</sup> June 2020<br>Offer Closes: 28 <sup>th</sup> June 2020  |
| Record Date (for purpose of the Offer) | 23 <sup>rd</sup> June 2020   |
| Offer Notice                           | Offer Notice published by OAB via the disclosure made by OMINVEST on MSM dated 17 <sup>th</sup> June 2020. Copy of the notice is available on the website of OAB.  |
| Suspension Period after Record Date    | The trading in AIB shares to be suspended for a period starting from offer opening date till the Takeover Completion Date  |
| Offer Objectives                       | The Offeror and the Trust are making this Offer with the following objectives: <ul style="list-style-type: none"><li>(i) AIB to become a fully owned subsidiary of OAB</li><li>(ii) The shares in AIB are to be delisted from the MSM and AIB shall become a closed joint stock company</li><li>(iii) Transfer of Al Yusr (the Islamic banking window of OAB) from OAB to AIB, against issue of AIB shares as consideration, and</li></ul>   |

- (iv) The shares in OAB are to be listed onto the MSM and OAB shall become a public joint stock company (subject to CMA / MSM / CBO approvals)

Offer details - options and consideration AIB Shareholders, who choose to accept this Offer, may exercise the option to either receive the Consideration Shares (to be issued by OAB as per the Final Share Swap Ratio) or, for those AIB Shareholders who satisfy the Cash Acceptance Qualification, receive Cash Consideration, provided such consideration do not exceed the amount equivalent to 24.99 per cent of the total issued share capital of AIB SAOG.

Subject to the terms of this Offer, an AIB Shareholder may only receive Consideration Shares or Cash Consideration. No part Consideration Shares and part Cash Consideration is offered to any AIB Shareholder.

Final Share Swap Ratio ("FSSR") basis The final share swap ratio which, based on the net assets of the Banks as at 31 March 2020 and reviewed by KPMG for both OAB and AIB, was determined to be **80.64:19.36**, and as such entitles each Continuing AIB Shareholder to receive **0.323 shares in OAB SAOC for every one (1) share he holds in AIB SAOG**.

| Description  | Based on 31 <sup>st</sup> March 2020 |                         |
|--------------|--------------------------------------|-------------------------|
|              | Net Asset Value (RO '000)            | SWAP Ratio (%age share) |
| OAB          | 286,919                              | 80.64%                  |
| AIB          | 68,886                               | 19.36%                  |
| <b>Total</b> | <b>355,805</b>                       | <b>100.00%</b>          |

Net Asset Value of AIB shares RO 0.070 per share as of 31 December 2019  
RO 0.069 per share as of 31 March 2020

Market price of AIB shares The current trading market price of AIB shares on the MSM as at 16<sup>th</sup> June 2020 is RO 0.061.

Net Asset Value of OAB shares RO 0.220 per share as of 31 December 2019  
RO 0.213 per share as of 31 March 2020

Compulsory Acquisition As provided in the Takeover Regulation, once AIB Shareholders holding 90 per cent or more of the shares in AIB SAOG accept the Offer, subject to regulatory approvals, OAB intends to exercise the "squeeze-out" provisions of Articles 62 to 65 (inclusive) of the Takeover Regulation. [Subject to regulatory approvals, those AIB Shareholders whose shares are acquired pursuant to the above mentioned "squeeze-out" provisions shall only be entitled to receive Consideration Shares].

OAB has already received irrevocable and unconditional undertakings from AIB Shareholders holding more than 92 per cent of the shares in AIB (77 per cent opted for Consideration Shares and 15 per cent opted for Cash Consideration). Therefore, after the Offer Closing Date, no separate notice will be issued by OAB to the AIB Shareholders regarding the Compulsory Acquisition.

Please refer Cash Consideration for Squeezed-out shareholders.

Cash Consideration for Squeezed-out shareholders

AIB Shareholders, if they so desire, will have the opportunity to exchange their Consideration Shares for cash (equivalent Cash Consideration they would have received if they were an Exiting AIB Shareholder), provided (i) they inform the Offer Manager in writing, within a period of 30 calendar days from the Offer Closing Date and (ii) such Consideration Shares are unencumbered

Mechanism to exchange Cash for the Consideration Shares received by AIB Shareholders through Compulsory Acquisition

1. The 30-day window after the takeover completion is available only for eligible AIB shareholders to receive cash, whose shares were acquired through Compulsory Acquisition as set out herein. It is clarified that this exchange window is not available for any other person(s) including those who purchase or otherwise acquire OAB shares after the takeover completion date. Further, such eligible shareholders are free to exercise this exchange as per the terms or retain the new OAB SAOG shares or sell the new OAB SAOG shares in the market, at prevailing market price, after OAB SAOG is listed on the MSM.
2. Such exchange for cash is also subject to the provision that the maximum number of AIB Shareholders who shall be eligible to receive Cash Consideration in aggregate holding 24.99 per cent of the total issued share capital of AIB SAOG.
3. The exchange of OAB shares by the Trust for cash under the 30-day window is a part of the Takeover Offer. The purpose of offering this window is to provide additional time to those individual AIB Shareholders, whose shares were compulsorily acquired, to exchange the Consideration Shares received by them for cash, if they so desire. Hence the shares received by the Trust from AIB Shareholders through this process does not amount to another acquisition, as defined in the Takeover Regulation.
4. The procedure for exchange of the new OAB SAOG shares under the 30-day window will be through an "off market" settlement and the eligible AIB Shareholders will receive the equivalent cash consideration from the Trust, net of MSM/ MCD fees or charges, as applicable. By submitting their application to the Offer Manager, such AIB Shareholders are authorising MSM/MCD to carry out all actions as may be required for effecting the exchange by debiting the relevant OAB SAOG shares from their MCD account in return for cash consideration from the Trust.

Offer Rationale

The Takeover will result in the formation of a stronger banking institution that the management of OAB envisages may become more competitive, both locally and regionally. Through the Takeover, the management of OAB aims to enhance shareholder value and promote the development of OAB in line with the larger industry-wide trend towards consolidation to create a financial institution which is more cost efficient and has better economies of scale. The expected increase in the customer base and branch network will also assist

the management of OAB to drive further market penetration and identify opportunities to exploit unified synergies. The Takeover will result in several major benefits, including (i) AIB will be recapitalized and will have strong support from its parent OAB and its key Shareholders; (ii) Arab Bank with a 49 per cent shareholding in OAB, will provide significant strategic support to OAB and particularly to AIB in its Islamic Banking Business; (iii) the Takeover will diversify the shareholder base for OAB; and (iv) a stronger banking institution will emerge, capable of playing a bigger role in Oman’s economic growth.

The Takeover is expected to enhance OAB’s overall reach to the growing Omani Islamic banking segment through a dedicated Islamic banking subsidiary. As at 31 December 2019, the combined Islamic banking assets of Al Yusr and AIB represented 18.4 per cent of the total Omani Islamic banking market assets (*Source: CBO Monthly Statistical Bulletin December 2019*). The new subsidiary will sit under the umbrella of OAB, a strong and well capitalised institution, and will be well positioned to leverage synergies across all group entities for Islamic banking products.

|               |   |
|---------------|---|
| Offer Manager | Ubhar Capital SAOC, a closed joint stock company incorporated in Oman and registered office at PO Box 1137, PC 111, CPO, Oman.<br>Ph.: +968 24949 001<br>Fax: +968 24949 099<br>Email: ubhar-corporatefinance@u-capital.net |
|---------------|---|

## 7.2 OTHER DETAILS

|   |   |
|---|---|
| Shares in AIB already held by OAB and parties acting in concert | OAB and the Trust, respectively, hold no equity shares of AIB as of date of this Offer.<br><br>OMINVEST and Arab Bank, respectively, hold no equity shares of AIB as of date of this Offer. |
|---|---|

|                              |   |
|------------------------------|---|
| Combination Agreement (“CA”) | Following completion of the financial and legal due diligence and further negotiations between the Banks, the Banks have entered into a CA dated 15 <sup>th</sup> June 2020.<br><br>The CA has been entered into by the Banks to achieve the objectives of this Offer as stated in this Offer Document. |
|------------------------------|---|

|  |   |
|--|---|
| OAB's existing arrangements with AIB and the major shareholders of AIB | The CA has been signed to document the terms of the Takeover and the steps required to be undertaken by each party in connection with the same.<br><br>OAB and the major AIB Shareholders (representing in the region of 92 per cent of the shares in AIB) have also reached an understanding on their response to the Offer and relating to their voting requirements, through shareholder undertaking letters issued by certain AIB Shareholders. Accordingly, the major AIB Shareholders holding in the region of 75 per cent of AIB's issued and paid-up share capital have undertaken to accept the Offer in return for Consideration Shares, whilst a Shari’a compliant institutional AIB Shareholder |
|--|---|

representing in the region of 15 per cent of AIB's share capital has undertaken to accept the Offer in return for Cash Consideration.

Other existing arrangements and conditions

Cash Consideration is only be payable to Exiting AIB Shareholders holding in aggregate up to 24.99 per cent of the shares in AIB. Further, Cash Consideration is available only for those AIB Shareholders who satisfy the Cash Acceptance Qualification.

On successful completion of the Offer and the Compulsory Acquisition, the following is expected to be completed in due course:

- The Trust Share Swap shall take place;
- The AIB Delisting shall take place;
- OAB to initiate transfer Al Yusr (its Islamic banking window) to AIB SAOC, in return for the issue of shares in AIB as consideration; and
- The OAB SAOG Listing shall take place.

After the Takeover Completion, Arab Bank will hold 49.00 per cent equity of OAB while OMINVEST will hold 31.64 per cent and the balance 19.36 per cent will be held by the Continuing AIB Shareholders/Trust, which will be considered and maintained as public holding on a continuous basis. Arab Bank, OMINVEST and parties related to them will not be acquiring any of the public holding shares.

The new OAB SAOG will comply with the 25 per cent public shareholding spread as required under Article (4) of the Takeover Regulation. Accordingly, major shareholders of OAB will arrange to increase the public shareholding spread of OAB from 19.36 per cent to 25.00 per cent within two (2) years from the date of listing on the MSM as approved by the CMA.

In order to ensure that Arab Bank retains a 49 per cent shareholding in OAB post-Takeover, OMNIVEST will sell such number of its shares in OAB to Arab Bank as may be needed for Arab Bank to retain a 49 per cent shareholding in OAB after the Takeover is completed.

The 49 per cent shareholding of Arab Bank in OAB has been approved by CBO.

The expected timeline for the above is set out in Chapter 6.

### 7.3 Other information required by the Takeover Regulation

1. OAB does not own voting shares, or convertible securities in AIB during the 6 months prior to the beginning of the offer period and ending with the offer announcement date.
2. The Offeror's intention with regard to the Target is as follows;
  - OAB will inject adequate capital into AIB so that AIB may meet its regulatory requirements and support growth of its business. The larger net worth of OAB SAOG will provide AIB SAOC additional room to grow its business.

- An integration committee will be constituted for ensuring the smooth integration of the business of Al Yusr with AIB and stabilize the operations. There will be active support from OAB in terms of inter-bank funding and credit lines to manage the liquidity of AIB.
  - The wide correspondent bank relationship of OAB and Arab Bank will provide additional source of funding and business opportunities in the form of remittance business, trade finance and money market transactions.
  - Business process reengineering and use of the agile framework to execute plans will result in enhanced cost efficiencies and improved productivity.
3. OAB intends to delist AIB immediately after successful conclusion of the Takeover. The successful completion of the Takeover will result in AIB having only 3 shareholders – OAB, OMINVEST, and Arab Bank. AIB will accordingly apply to the CMA and MSM for the AIB Delisting and function as an SAOC entity. OAB has already obtained CBO approval on 9<sup>th</sup> February 2020 in this regard.
4. The Offeror’s objective and rationale of the Offer, including long-term commercial justifications for the proposed Offer - **Set out in Paragraph 15.20**

#### 7.4 Declarations

OAB and Ubhar Capital (Offer Manager) are satisfied that:

- (a) OAB has sufficient financial resources and the Offer would not fail due to insufficient financial capability of the Offeror;
- (b) Every AIB Shareholder who wishes to accept the Offer will receive in full, either Consideration Shares or Cash Consideration, as per the terms described in the Offer Document;
- (c) Except with the consent of the CMA, settlement of the consideration to which any holder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off or counter claim to which the Offeror may otherwise claim to be entitled as against the holder;

##### 7.4.1 OAB declares the following:

- (a) Other than as described in this Offer Document, there are no ongoing negotiations that exist between OAB or its controlling shareholders and any person with respect to OAB’s or AIB’s shares and convertible securities.
- (b) Other than as described in this Offer Document, there are no agreements, arrangements or understanding that exist between OAB (or any person acting in concert with OAB) and any of the directors or past directors of OAB, holders of voting shares or past holders of voting shares of the OAB having any connection with the Offer.
- (c) The remuneration of the OAB’s Directors will not be affected by the Takeover.

For the purpose of the above, “past directors” or “past holders of voting shares” are such persons who were during the period of 6 months prior to the beginning of the Offer Period, a director or a holder of voting shares, as the case may be.

#### 7.4.2 Other information:

- A) Neither OAB nor AIB have any outstanding convertible securities
- B) As of date of this Offer Document, details of the number and percentage holding of voting shares held directly or indirectly by the following persons in AIB are as set out below:
- (a) OAB: Nil shares Nil per cent
  - (b) the OAB Directors: Nil shares Nil per cent
  - (c) the ultimate shareholders of OAB: Nil shares Nil per cent
  - (d) the Trust: Nil shares Nil per cent
- C) As of date of the Offer Document, details of the number and percentage holding of voting shares held, directly or indirectly, by the following persons in OAB:
- (a) The OAB Directors do not hold any voting shares in OAB; the shareholding details of the ultimate shareholders are provided in Chapter 11.
  - (b) The Trust (persons acting in concert) does not hold, directly or indirectly, any shares in OAB. The Trust beneficiaries are the ultimate shareholders of OAB.
  - (c) The persons who, prior to the sending of this Offer Document, have irrevocably committed themselves to accept the Offer do not hold any shares directly or indirectly in OAB.

The parties under paragraphs A, B and C above have not dealt in the voting shares or convertible securities in question during the period commencing 6 months prior to the beginning of the Offer Period and ending with the date of this Offer Document.

- D) Details of the persons who, prior to the Record Date, have irrevocably committed to accept the Offer together with details of their shareholding in AIB:

| #  | Shareholders   | Shareholding in AIB |
|----|--|---------------------|
| 1  | Civil Service Employees Pension Fund                               | 5.60%               |
| 2  | ISS Pension Fund   | 3.36%               |
| 3  | ROP Pension Fund   | 3.36%               |
| 4  | Vision Investment Services   | 3.33%               |
| 5  | Royal Court of Affairs   | 3.36%               |
| 6  | Tasameem Real Estate   | 15.00%              |
| 7  | Royal Guard Pension Fund   | 1.02%               |
| 8  | AABAR Investment PJSC (Mubadala)                                   | 20.00%              |
| 9  | Public Authority for Social Insurance                              | 3.36%               |
| 10 | Al Khonji Development & Investments & Al Khonji Investment Holding | 7.84%               |
| 11 | Ruqayah Development & Investments                                  | 0.84%               |
| 12 | Huriya LLC   | 10.00%              |
| 13 | First Energy Bank  | 15.00%              |
|    | <b>Total</b>   | <b>92.06%</b>       |

## 8. OFFER RELATED PARTIES & CONTACT PERSONS

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|  |   |
|--|---|
| Offeror                                  | <b>Oman Arab Bank SAOC</b><br>Contact: Rashad Al Musafir<br>Chief Executive Officer<br>PO Box 2010, PC 112, Ruwi, Sultanate of Oman<br>Tel: 24754101<br>Email: <a href="mailto:Rashad.Al-Musafir@oman-arabbank.com">Rashad.Al-Musafir@oman-arabbank.com</a> /<br><a href="mailto:oabceo@oman-arabbank.com">oabceo@oman-arabbank.com</a> |
| Person acting in concert / participation | <b>Trust with OMINVEST and Arab Bank PLC as beneficial owners and U Capital as Trustee</b><br>Contact: Lo'ai B. Bataineh<br>Chief Executive Officer<br>PO Box 1137, PC 111, CPO, Sultanate of Oman<br>Tel: +968 24 949 010<br>Email: <a href="mailto:l.bataineh@u-capital.net">l.bataineh@u-capital.net</a>                             |
| Target Company                           | <b>Shareholders of Alizz Islamic Bank SAOG</b><br>Contact: Faisal Zakaria<br>Chief Financial Officer<br>Alizz Tower, PO Box 753, PC112, Ruwi, Muscat, Oman<br>Tel: 2477 5534<br>Email: <a href="mailto:Faisal.Zakaria@alizzislamic.com">Faisal.Zakaria@alizzislamic.com</a>   |
| Offer Manager                            | <b>Ubhar Capital SAOC</b><br>Contact: Lo'ai B. Bataineh<br>Chief Executive Officer<br>PO Box 1137, PC 111, CPO, Sultanate of Oman<br>Tel: +968 24 949 010<br>Email: <a href="mailto:l.bataineh@u-capital.net">l.bataineh@u-capital.net</a>  |
| Legal Advisor to the Offeror             | <b>Dentons &amp; Co Oman Branch Legal Consultants</b><br>Contact: Nick Simpson<br>Partner<br>PO Box 3552, PC 112, Ruwi, Sultanate of Oman<br>Tel: +968 24 573 000<br>Email: <a href="mailto:Nick.Simpson@Dentons.com">Nick.Simpson@Dentons.com</a>  |
| Auditor to Offeror (2016-2019)           | <b>Ernst &amp; Young LLC</b><br>Contact: Bassam Hindy<br>Partner<br>PO Box 1750, PC 112, Ruwi, Sultanate of Oman<br>Tel: +968 22 504 559<br>Email: <a href="mailto:bassam.hindy@om.ey.com">bassam.hindy@om.ey.com</a>   |
| Auditor to Offeror (Existing)            | <b>KPMG</b><br>Contact: Ravikanth Petluri<br>Associate Partner<br>PO Box 641, PC 112, Shatti Al Qurum, Sultanate of Oman<br>Tel: +968 24 749 290<br>Email: <a href="mailto:rpetluri@kpmg.com">rpetluri@kpmg.com</a>   |

## 9. STUDIES UNDERTAKEN BY OAB AND AIB

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- Both the Banks conducted legal, financial and tax due diligence on each other through independent advisors.
- The due diligence reports provided by the advisors are based on a review of the financial statements, significant business contracts, regulatory compliance, tax assessments, employee contracts and analysis of a significant portion of the respective loan / financing portfolio in assessing the risks associated with the business.
- The findings of the due diligence were presented to the respective board of directors of each of the Banks and, after deliberation, the board of directors recommended to the shareholders of each Bank to proceed with the transaction after obtaining necessary regulatory approvals.
- The Banks agreed that the consideration for the acquisition of AIB would be in the form of Consideration Shares or Cash Consideration.
- The Banks also agreed that the consideration for the transfer of Al Yusr from OAB to AIB would be shares issued by AIB to OAB equal to the net assets value transferred by OAB to AIB as part of the transfer of the Al Yusr.

## 10. AIB OVERVIEW

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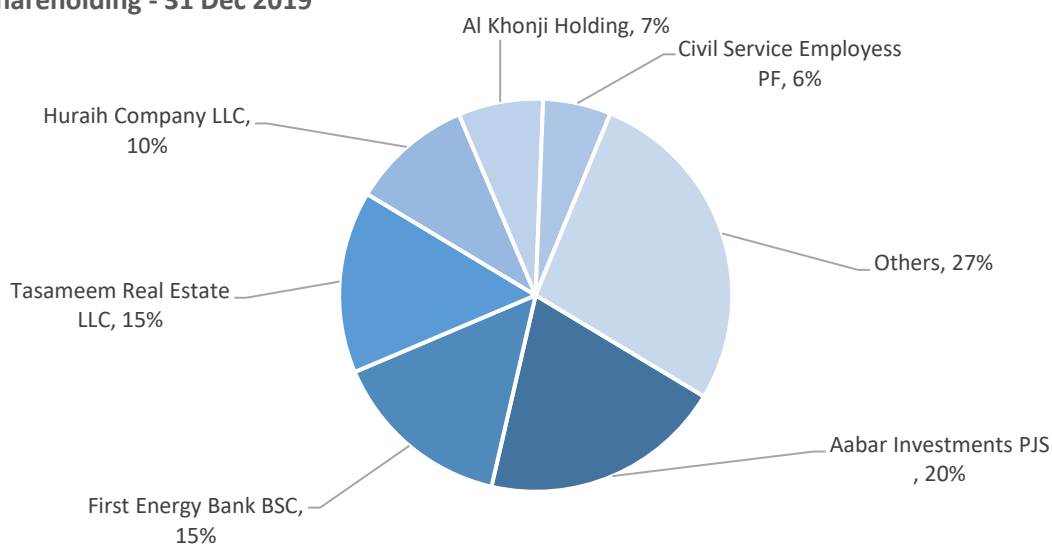
### 10.1 Description of AIB

AIB was incorporated in Oman as a public joint stock company on 5 September 2012 (in accordance with Royal Decree No. 69/2012) to carry out banking activities in accordance with the principles of Islamic Shari'a. The CBO issued an Islamic banking license to AIB on 5 September 2013 and AIB commenced operations on 30 September 2013.

As at 31 March 2020, AIB has ten branches across Oman, including in Muscat, Wattaya, Al Khoudh, Nizwa, Sohar, Salalah, Athaibah, Barka, Ibra and Ma'abala. AIB has 11 ATMs/CDMs. As at 31 March 2020 AIB had 304 employees. (Source: [www.alizzislamic.com](http://www.alizzislamic.com))

AIB is regulated by the CBO and its Shari'a Supervisory Board (SSB) is entrusted to ensure AIB's adherence to Shari'a in carrying out its activities.

#### AIB Shareholding - 31 Dec 2019



Source: [www.alizzislamic.com](http://www.alizzislamic.com)

During the year 2019, AIB asset growth slowed due to capital adequacy constraints, limited asset growth and pressure on asset quality due to challenging global and local economic conditions adversely affected the financial results of AIB for the year ended 31 December 2019. AIB enhanced its provisions against financing receivables in compliance with requirements of International Financial Reporting Standards.

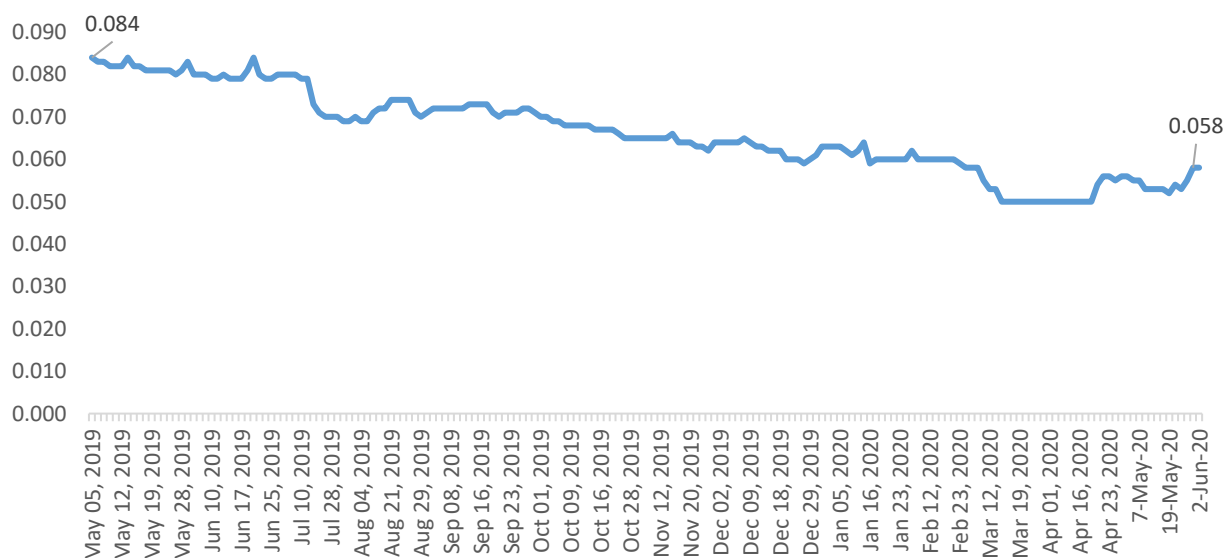
AIB restricted its assets growth due to limitations mentioned earlier which resulted in an increase in financing receivables by 3.4 per cent only to reach OMR 571.9 million in 2019 from OMR 553.3 million at the end of 2018. However, to maintain AIB's liquidity buffer, deposits increased by 7.7 per cent to reach OMR 631.4 million compared to OMR 586.4 million in 2018.

AIB's revenue from financing and investing activities increased by 10.3 per cent to OMR 34.0 million in 2019 from OMR 30.8 million in 2018. AIB reported a net operating profit of OMR 19.0 million but due to enhancement of provisions against financing receivable, in accordance with the requirements of International Financial Reporting Standards (IFRS-9); reported a net loss after tax of OMR 9.95 million versus net profit after tax of OMR 2.0 million in 2018.

Following are details of historical movement in Tier 1 capital of AIB:

| Particulars   | 2016                   | 2017        | 2018        | 2019        |
|---|------------------------|-------------|-------------|-------------|
|   | (Amount in RO million) |             |             |             |
| <b>Issued Capital</b>   |                        |             |             |             |
| Paid up Capital   | 100.0                  | 100.0       | 100.0       | 100.0       |
| Legal reserves  | 0.3                    | 0.3         | 0.5         | 0.5         |
| Accumulated losses  | (19.0)                 | (22.2)      | (22.4)      | (30.3)      |
| Total Gross Tier 1 Capital  | 81.3                   | 78.0        | 78.1        | 70.1        |
| <b>Deductions</b>   |                        |             |             |             |
| Cumulative Losses on Fair Value of investment classified as fair value through equity           | (0.1)                  | (0.1)       | (2.2)       | (0.2)       |
| Deferred Tax Assets   | (2.5)                  | (3.2)       | (2.9)       | (2.9)       |
| Intangible Assets, including losses, cumulative unrealised losses recognised directly in equity | (2.2)                  | (1.9)       | (1.5)       | (1.6)       |
| <b>Tier 1 Capital after deductions</b>  | <b>76.4</b>            | <b>72.8</b> | <b>71.6</b> | <b>65.5</b> |

## 10.2 AIB share price history (past 12 months)



Source: [www.msm.gov.om](http://www.msm.gov.om)

AIB annual reports and financial statements are available on MSM (<https://msm.gov.om/snapshot.aspx?s=BKIZ>) / AIB website (<https://alizzislamic.com/About-us/Investor-Relations/Financials>).

## 10.3 AIB Capital Structure

Following the completion of the Takeover, AIB will become a subsidiary of OAB and the anticipated shareholding structure of AIB is presented below:

|             |       |          |                 |
|-------------|-------|----------|-----------------|
| OAB -       | 99.98 | per cent | No. of shares   |
| OMINVEST -  | 0.01  | per cent | No. of shares   |
| Arab Bank - | 0.01  | per cent | No. of shares * |

(\* In order to comply with the requirements of the Companies Law which requires minimum of 3 shareholders for a joint stock company, as part of the Takeover, OAB intends to transfer 0.02 per cent shares in AIB, to OMINVEST and Arab Bank)

As at 31 March 2020, the paid-up share capital of AIB was RO 100.00 million and the net worth was RO 68.89 million with the accumulated losses of RO 30.44 million. The regulatory capital is RO 68.5 million and the Capital Adequacy Ratio is 13.33 per cent.

#### 10.4 Other information

Post-Takeover, AIB will become a subsidiary of OAB. Furthermore, OAB intends to delist AIB, transfer Al Yusr, its Islamic banking window, to AIB and operate AIB as a full-fledged Islamic bank. OAB will inject additional share capital into AIB, for the purposes of AIB complying with the minimum capital requirements required by Applicable Law and for conducting its business operations.

## 11. SHAREHOLDING DETAILS OF OAB

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### 11.1 Existing OAB Shareholding (as on 31 Mar 2020)

| # | Shareholder                               | Shares               | Shareholding (%) |
|---|---|----------------------|------------------|
| 1 | OMINVEST                                  | 686,427,380          | 50.99            |
| 2 | Arab Bank                                 | 659,638,000          | 49.00            |
| 3 | Oman Real Estate Investment Services SAOC | 134,620              | 0.01             |
|   | <b>Total</b>                              | <b>1,346,200,000</b> | <b>100.00</b>    |

Post-acquisition of AIB, Arab Bank intends to remain a 49 per cent shareholder in OAB. In order to ensure that Arab Bank retains a 49% shareholding in OAB post-Takeover, OMNIVEST will sell such number of its shares in OAB to Arab Bank as may be needed for Arab Bank to retain a 49% shareholding in OAB after the Takeover is completed.

### 11.2 OAB Shareholding post Takeover Completion

| # | Shareholder                               | Shareholding (%) |
|---|---|------------------|
| 1 | OMINVEST                                  | 31.63            |
| 2 | Arab Bank                                 | 49.00            |
| 3 | Oman Real Estate Investment Services SAOC | 0.01             |
| 4 | Continuing AIB Shareholders / the Trust   | 19.36            |
|   | <b>Total</b>                              | <b>100.00</b>    |

### 11.3 Accounts consolidation post Takeover Completion

AIB SAOC' accounts will include the consolidation of Alizz Islamic Bank and the assets and liabilities of OAB's Islamic window "Al Yusr". The accounting for AIB SAOC as a 100 per cent subsidiary of OAB SAOG will be in accordance with IFRS on Consolidation (IFRS 3 and 10) and relevant disclosures in accordance with IAS 34 during any interim period of consolidation before the year end.

### 11.4 Transfer by OAB of Al Yusr to AIB SAOC

- Following the AIB Delisting, the Islamic Banking business of OAB, Al Yusr, including its employees, will be transferred to AIB SAOC. AIB SAOC will purchase Al Yusr, together with all rights and benefits accruing to Al Yusr, with effect from and after the date of transfer.
- AIB will issue shares equal to the value of the net assets of Al Yusr as being transferred as at the completion date of the Al Yusr SPA as the consideration, with OAB receiving such shares.

## 11.5 Brief on OMINVEST

Founded in 1983, OMINVEST is one of the oldest, highly successful and largest investment firms in the MENA region. OMINVEST is listed on Muscat Securities Market with over 2000 shareholders with a market capitalization of USD 713 million as of 31 December 2019. OMINVEST is led by a visionary board and a capable management team – dedicated to enhancing value for all stakeholders.

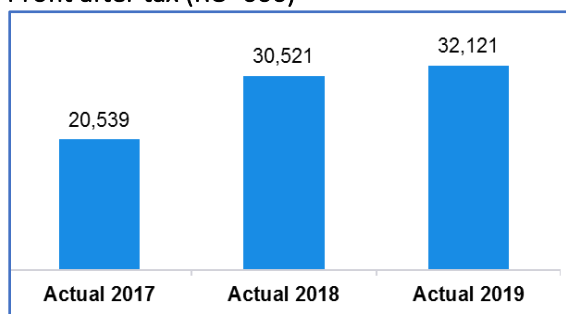
OMINVEST is a long-term value investor striving to achieve capital preservation and high-risk adjusted investment returns by following prudent investment philosophy. This entails focussed investing within its “Circle of Competence” for long term – to compound returns at the time when valuations are depressed. Staying liquid, avoiding excessive leverage, diversifying across sectors and geographies and investing in companies with smart management teams demonstrating high integrity are its core investment philosophies.



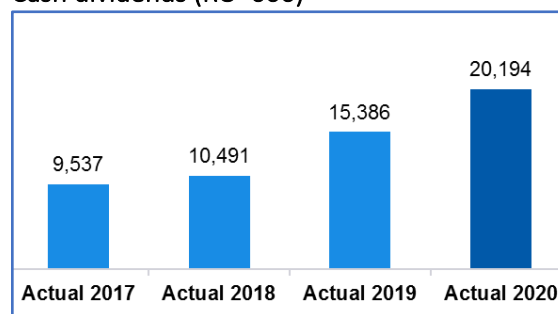
OMINVEST currently operates around its six strategic platforms include Banking, Insurance, Leasing, Real Estate, Investment Banking, and Financial Investments (public & private equity investments in other growth sectors). Most of Its portfolio companies such as Oman Arab Bank, National Life and General Insurance Company SAOG, Bank Muscat SAOG and National Finance Company SAOG are market leaders in their respective sectors. While OMINVEST is focused to consolidate its businesses in Oman, it also actively seeks new strategic and financial investments in other growth sectors and geographies to better shield against regional economic variabilities and geopolitical risks.

At end of 2019, OMINVEST directly owns high quality assets amounting to RO 601 million. OMINVEST has an enviable track record of uninterrupted dividend payments to shareholders and a strong return over equity in excess of 12 per cent with a moderate leverage ratio of less than one, OMINVEST is poised to seize investment opportunities to further enhance the shareholders value.

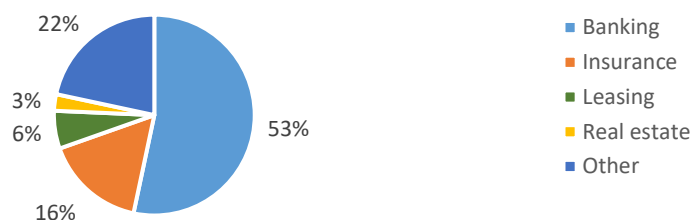
Profit after tax (RO '000)



Cash dividends (RO '000)



## Sectorwise asset allocation



## 11.6 Brief on Arab Bank

Arab Bank headquartered in Amman, Jordan has one of the largest global Arab banking networks with over 600 branches spanning five continents. Arab Bank provides a wide range of financial products and services for individuals, corporations and other financial institutions. The Bank's products and services cover Consumer Banking, Corporate and Institutional Banking and Treasury services. Arab Bank's extensive network covers key financial markets and centers such as London, Dubai, Singapore, Geneva, Paris, Frankfurt, Sydney and Bahrain.

Arab Bank has the following sister company, subsidiaries, and affiliates companies:

| Sister Company  | Subsidiaries Companies   | Affiliated Companies   |
|---|--|--|
| <ul style="list-style-type: none"> <li>Arab Bank (Switzerland) Limited</li> </ul> | <ul style="list-style-type: none"> <li>Arab Bank Australia Limited</li> <li>Europe Arab Bank plc</li> <li>Islamic international Arab Bank plc</li> <li>Arab Sudanese Bank Ltd</li> <li>Arab Tunisian Bank</li> <li>Arab Bank – Syria</li> <li>Al Arabi Investment Group (AB Invest) LLC</li> <li>Arab National Leasing Company LLC</li> <li>Al Niser Al Arabi Insurance Co. plc</li> <li>Al Arabi Investment Group Company- Palestine</li> </ul> | <ul style="list-style-type: none"> <li>Turkland Bank</li> <li>Oman Arab Bank</li> <li>Arab National Bank</li> <li>Arabia Insurance Co.</li> <li>Commercial Building Co.</li> </ul> |

Arab Bank received the following ratings from international credit rating agencies:

|  |  |               |
|--|--|---------------|
|  | Arab Bank plc - Jordan<br>Long Term Bank Deposits - Local Currency             | Ba2/Stable/NP |
|  | Long Term Bank Deposits - Foreign Currency                                     | B2/Stable/NP  |
|  | Arab Bank plc - Dubai branch<br>Long Term Bank Deposits - Foreign Currency     | Ba2/Stable/NP |
|  | Arab Bank plc<br>Issuer Default Ratings (IDRs)                                 | BB/Negative/B |
|  | Arab Bank plc<br>Issuer Credit Rating  | B+/ Stable/B  |
|  | Arab Bank Group Operating Entities<br>Europe Arab Bank<br>Issuer Credit Rating | BB+/ Stable/B |

Moody's Rating Date: April 2020  
 Fitch Rating Date: June 2020  
 S&P Rating Date: July 2019

## Financial Performance Highlight

Arab Bank Group closed 2019 with solid results, reporting net income after tax of \$846.5 million, compared to \$820.5 million in 2018, for a growth of 3.2%. Net income before tax grew to \$1.15 billion, compared to \$1.12 billion in 2018.

The Group's revenues grew by 4.6% to reach \$2.2 billion. These revenues were generated by both the local and international networks, with the latter comprising close to 70% of total revenues. Net operating income grew to \$1.3 billion, driven by growth in interest and fee income from the bank's core operations, while total expenses (including provisions) decreased by 3% over 2018.

Total Assets Grew by 4.2% in 2019 to \$51.2 billion compared to \$49.1 billion in 2018. Net credit facilities accounted for 47% of total assets in 2019. Asset quality of the Group remains high and credit provisions held against non-performing loans continue to be above 100%.

Credit facilities grew by 1.2% during the year to reach \$26.1 billion, compared to \$25.8 billion in December 2018. Customer deposits increased by 6% to reach \$36.2 billion. Arab Bank Group also grew its equity by 5% during the year to reach over \$9 billion, with a return on equity of 9.3%.

| <b>in Million US\$</b>                                      | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|---|-------------|-------------|-------------|
| Total Assets  | 48,163      | 49,162      | 51,214      |
| Total Credit Facilities                                     | 25,138      | 25,813      | 26,134      |
| Customers' Deposits   | 33,781      | 34,344      | 36,238      |
| Shareholders' Equity Attributed to shareholders of the Bank | 8,290       | 8,573       | 9,011       |
| Revenue   | 1,983       | 2,133       | 2,230       |
| Operating Profit  | 1,197       | 1,270       | 1,339       |
| Net Income After Tax  | 533         | 821         | 847         |
| Return on Assets  | 1.1%        | 1.7%        | 1.7%        |
| Return on Equity  | 6.3%        | 9.6%        | 9.3%        |
| Capital Adequacy Ratio                                      | 15.0%       | 15.6%       | 16.2%       |
| Number of Employees   | 10,253      | 10,323      | 10,463      |

## 12. OFFER RELATED APPROVALS

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### 12.1 Key CBO Approvals

The following is a summary of CBO approvals obtained by OAB in connection with the Offer:

- Approval of the Takeover on 15<sup>th</sup> June 2020.
- OAB to acquire 100 per cent of the shares in AIB resulting in AIB as a subsidiary of OAB on 9<sup>th</sup> February 2020;
- Delisting of AIB shares, following the Takeover converting AIB SAOG to AIB SAOC on 9<sup>th</sup> February 2020;
- Transferring the Islamic Banking business (Al Yusr) of OAB to AIB on 9<sup>th</sup> February 2020; and
- Listing of OAB shares, converting OAB SAOC to OAB SAOG with Arab Bank Plc owning 49 per cent of OAB SAOG on 15<sup>th</sup> June 2020.
- Establishing the Trust owned by OMINVEST and Arab Bank, and transferring up to 24.99 per cent shareholding of AIB to the Trust on 18<sup>th</sup> March 2020. The CBO has advised that the Trust should sell its shares in OAB within six months from the date of transfer.
- The Trust Share Swap on 18<sup>th</sup> March 2020.

### 12.2 OAB Approvals

The OAB Directors have approved the following:

- i. OAB's entry into the Combination Agreement and the Takeover;
- ii. OAB's issuance of the Offer to the shareholders of AIB and, subject to shareholder approval, the subsequent issue of the Consideration Shares and shares in OAB as a result of the Trust Share Swap;
- iii. OAB's entry into the Al Yusr SPA, relating to the transfer by OAB to AIB of Al Yusr;
- iv. the OAB Listing, to be commenced in accordance with the Applicable Law following the date of the Al Yusr SPA; and
- v. the adoption by OAB SAOG of suitable SAOG articles of association, such adoption being effective on the date of the OAB Listing.

Shareholders of OAB have approved the following at an EGM of the shareholders of OAB on 15<sup>th</sup> June 2020:

- 1) the grant of authority to the OAB Board to issue up to 323,800,000 shares in OAB at 100 Baizas per share;
- 2) to the extent applicable, in accordance with Article 45 of the Takeover Regulation, the issuance of the Consideration Shares, based on the Final Share Swap Ratio;
- 3) a waiver by the current shareholders of OAB of any pre-emption rights in respect of the issuance of new shares in OAB pursuant to the terms of the Combination Agreement;

- 4) the execution by OAB of the Al Yusr SPA;
- 6) the OAB Listing, to be commenced in accordance with Applicable Law; and
- 7) the adoption by OAB of the articles of association suitable for SAOGs, such adoption being effective on the date of the OAB Listing.

#### 12.2.1 Ordinary general meeting of AIB

Within three months of the Takeover Completion Date, AIB shall hold an ordinary general meeting to approve resolutions for the appointment of a new board of directors of AIB SAOC.

#### 12.2.2 Extraordinary general meeting of AIB

AIB shall hold an extraordinary general meeting to approve delisting of its shares and adoption of new articles of association as an SAOC.

### 12.3 Key CMA Approvals

The following is a summary of CMA approvals obtained by OAB in connection with the Offer:

#### 12.3.1 Approvals related to the Trust

- Establishing the Trust by two beneficiaries OMINVEST and Arab Bank and transferring up to 24.99 per cent shareholding of AIB to the Trust.

#### 12.3.2 Approvals related to the Offer

- Approval of the Offer on 22<sup>nd</sup> June 2020.
- Approval for the Offer Document Letter Ref No. CMA/690/2020 and dated 22<sup>nd</sup> June 2020
- Initial approval to list OAB as an SAOG entity on MSM post Takeover Completion.

## 13. OVERVIEW OF OMAN'S ECONOMY

According to the NCSI, Oman's nominal GDP declined by 4 per cent to OMR 29.27 billion compared to OMR 30.48 billion in 2018. The nominal contraction in the GDP in 2019 was because of decline in both the petroleum and non-petroleum activities. The contraction in the petroleum sector was contributed by both crude oil and natural gas. In 2019, Oman cut its oil production initially for a period of six months in line with its agreement with Organization of the Petroleum Exporting Countries (OPEC). The decline in non-petroleum sector was because of contraction in industrial and services segment. Agricultural and fishing sector on the other hand, reported growth of 7.4 per cent in 2019.

In terms of public finance, Oman reported almost similar budget deficit in 2019 when compared with 2018. Budget deficit was reported at OMR 2.653 million in 2019 compared to OMR 2.649 million in 2018. The Government was successful in reducing its current and investment expenditure which led to 3.9 per cent drop in the overall expenditure. On the other hand, revenue also dropped in 2019 by 4.9 per cent led by drop in both oil as well as gas revenue. However, corporate income tax revenue increased during 2019 by 33.4 per cent (Source: NCSI).

### 13.1 Key Economic and Social Indicators

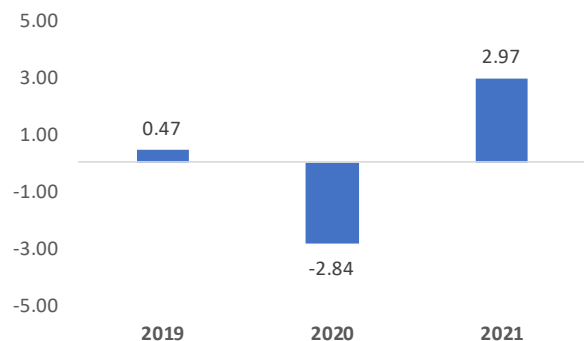
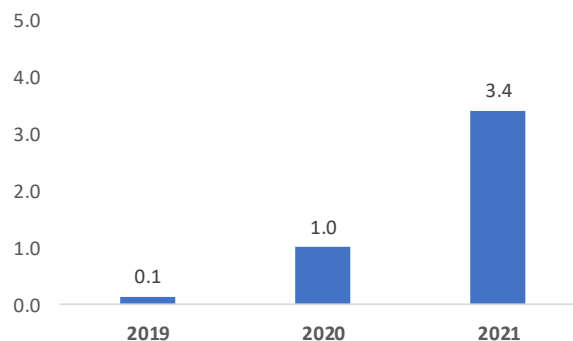
The following table shows a selection of key economic and social statistics for Oman for the periods indicated:

| All Amount in OMR million unless specified | 2016          | 2017          | 2018          | 2019*        |
|--|---------------|---------------|---------------|--------------|
| 1. Petroleum Activities                    | 6,714.80      | 8,072         | 11,031.10     | 10,105.3     |
|  | <b>26.67%</b> | <b>29.74%</b> | <b>36.19%</b> | <b>34.5%</b> |
| Agriculture and Fishing                    | 573.50        | 617.20        | 667.00        | 716.6        |
| Industry                                   | 5,224.90      | 5,441.40      | 5,525.50      | 5,492.5      |
| Services                                   | 13,593.60     | 14,131        | 14,456.00     | 14,255.4     |
| 2. Non-Petroleum Industrial Activities     | 19,392.00     | 20,189.60     | 20,648.50     | 20,464.5     |
|  | <b>77.0%</b>  | <b>74.4%</b>  | <b>67.7%</b>  | <b>69.9%</b> |
| 3. Financial Intermediation Services       | (741.10)      | (768.60)      | (833.05)      | (861.5)      |
| 4. GDP at Producers Prices (1+2+3)         | 25,365.70     | 27,492.60     | 30,846.55     | 29,708.2     |
| Taxes Less Subsidies on Products           | (188.4)       | (347.7)       | (364.7)       | (432.2)      |
| 5. GDP at Market Prices                    | 25,177.25     | 27,144.90     | 30,481.85     | 29,275.9     |

Source: NCSI | \*Preliminary Data

### 13.2 Macroeconomic Outlook

As per IMF, Oman real GDP is expected to bounce back in 2021 after reporting a drop in 2020. In 2020, the real GDP of Oman is estimated to drop by 2.84 per cent on the back of agreed oil production cuts by Oman in agreement with OPEC and OPEC+ members along with challenges posed by COVID-19. However, in 2021 the GDP is estimated to bounce back and grow by 2.97 per cent on the back of higher oil and gas production along with revival of services and industrial sectors, which are estimated to return to normal to higher production levels after remaining under stress in 2020 because of COVID-19 related challenges.

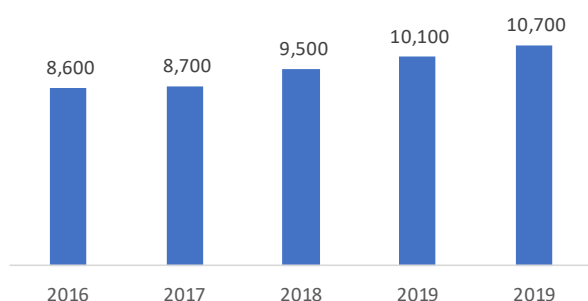
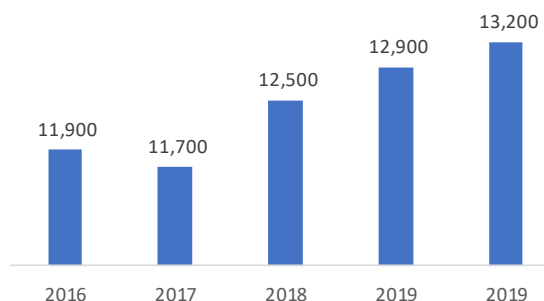
**Real GDP - %****Inflation - %**

Source: IMF

### 13.3 Oman Budget 2020

Oman increased its budgetary expenditure for 2020 when compared with 2019. Not only the budgeted spending was set higher than last year but at the same time additional spending was earmarked outside the budget for various sectors. Government budgeted higher spending for basic services, increased subsidies and continuation of spending on development projects, as well as announced timely payments for the developmental projects.

Oman government budgeted revenue of OMR 10.7 billion for 2020, higher by 6 per cent budgeted revenue of last year, on account of 13.0 per cent increase in the Non-oil and gas revenue. Government has budgeted a 3.4 per cent increase in oil and gas revenue which has been budgeted at an expected oil price of USD 58/bbl. almost similar to last year. Oil and gas revenue are budgeted to touch OMR 7.7 billion in 2020 compared to OMR 7.44 billion in 2019. In terms of breakup, oil & gas constitutes majority of the budgeted revenue at 72.0 per cent whilst the remaining will come from non-oil sources.

**Revenue (OMRmn)****Expenditure (OMRmn)**

Source: MOF Budget Document - Budgeted Numbers

Oman government budgeted spending of OMR13.2 billion in 2019, which is 2.3 per cent higher than the budgeted spending of last year. The expenditure is divided into current expenditure (74.5 per cent.) and investment expenditure (19.7 per cent.) and participation, and other expenses (5.8 per cent.). Budgeted current expenditure is to 92 per cent. of the budgeted revenues at compared to 94 per cent. last year. Current expenditure has been budgeted at OMR 9.83 billion for 2020, which is higher by 3.5 per cent.. compared to OMR 9.50 billion in 2019 Within current expenditure, expenditure on defense and national security has been kept same at OMR 3,450 million. Owing to rising debt of the country in last couple of years, government in 2020 has budgeted an additional interest expense of OMR 230 million, taking the total interest on loans to OMR 860 million to be paid in 2020 compared to OMR 630 million in 2019.

The budget deficit for 2020 is estimated at OMR2.5 billion. Almost same set of arrangements have been planned in 2020 as in earlier years to fund the deficit. This comes in line with the guidelines set out by the government to maintain sovereign reserve funds, and to rely upon borrowing, notably external borrowing, to finance the deficit. Foreign borrowing of OMR 2.0 billion would be arranged along with OMR 0.5 billion would be taken from reserves. For debt servicing, government has earmarked OMR 860 million in 2020 compared to OMR 630 million in 2019, higher by OMR 230 million (37 per cent).

However, these budget estimates were prepared towards the end of 2019, and the subsequent developments, such as the COVID-19 pandemic and crash in oil prices, are likely to have substantial impact on the actual performance.

*(Source: U Capital Research)*

### 13.4 Foreign Direct Investment

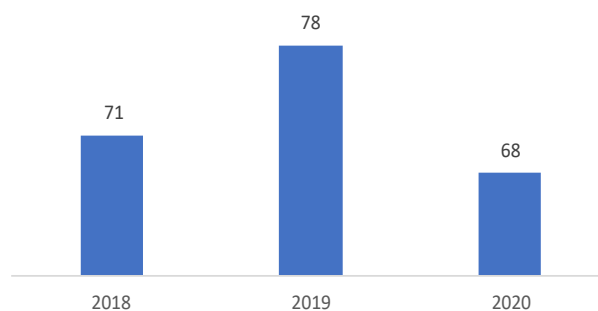
As per the latest available data from NCSI, Foreign direct investment (FDI) in Oman until the end of the second quarter of 2019 reached OMR 11.65 billion, an increase of 13.3 per cent, compared to OMR 10.28 billion in the same period last year. The NCSI data also show that the foreign investment in oil and gas in the Sultanate touched OMR 6.59 billion, whilst in the financial intermediation sector, it was OMR 1.43 billion. Foreign investments reached OMR 1.59 billion in the manufacturing sector, OMR 1.06 billion in real estate and OMR 976.3 million in other sectors in the Sultanate. The United Kingdom topped the FDI list with OMR 5.65 billion, followed by the UAE with OMR 1.14 billion, the US (OMR 897 million), Kuwait (OMR 831.3 million) China (OMR 486.2 million) and Qatar (OMR 432 million).

Oman has been continuously strengthening the forward and backward linkages between economic sectors in order to expand the production and export base, diversifying business partners, deepening investment in high value-added sectors, and enhancing the contribution of non-oil sectors to the gross domestic product of Oman. With such vision in mind, In late 2019 the Government passed the Foreign Capital Investment Law. The Foreign Capital Investment Law allows the investor to establish a company and own the entire capital of the company subject to the new company undertaking certain permitted activities. There is no minimum limit of the capital for the companies established under this law.

### 13.5 Ease of Doing Business

Oman advanced 10 positions in the Ease of Doing Business 2020 report by the World Bank. The Sultanate has jumped 10 places in the 'Doing Business 2020' report, ranking 68<sup>th</sup> in the world for 2019, while in 2018 it was 78<sup>th</sup>. As per World Bank, Sultanate ranks at the top in the Gulf Cooperation Council countries in the cross-border trade index as a result of continuous improvement in legislative and executive measures. Other fields in which Oman achieved recognition globally are: Building Permits (47<sup>th</sup>), Access to Electricity (35<sup>th</sup>), Property Registration (52<sup>nd</sup>), Investor Protection (88<sup>th</sup>), Payment of taxes (11<sup>th</sup>) and lastly enforcing contracts (69<sup>th</sup>).

**Oman Ease of Doing Business Ranking**



*Source: Doing Business Report 2020 - World Bank*

*Note: The lower the ranking the better*

## 13.6 Oman Credit Rating

Oman has following ratings from different rating agencies:

- Standard & Poor's credit rating for Oman stands at BB- with outlook under review (26 Mar 2020).
- Moody's credit rating for Oman was last set at Ba2 with negative outlook (30 Mar 2020).
- Fitch's credit rating for Oman was last reported at BB with negative outlook (12 Mar 2020).

Source: <https://tradingeconomics.com/oman/rating>

## 14. BANKING SECTOR OVERVIEW

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[Source: U Capital Research]

The CBO continues to play an important role in maintaining financial stability, pursuing appropriate monetary policies, developing financial markets, implementation of modern payment and settlement systems and supervising and regulating the banking sector. The banking sector in Oman continued its positive growth trend in 2019. The liquidity situation in the banking system remained comfortable to support domestic demand and growth. Despite an increase in the size of banks' balance sheet, the ratio of gross NPLs to total credit registered a marginal increase and stayed comfortably lower when compared with GCC peers. Notwithstanding, the macro-economic challenges of twin deficits in the fiscal and current accounts due to the fall in crude oil prices, the banking sector remained robust, supporting economic diversification initiatives and growth.

The CBO in its recently published economic report stated that a rebound in the Omani economy is anticipated in 2021 while the remaining part of 2020 is expected to remain slightly challenging, weighed down by the effects of the coronavirus (COVID-19) pandemic and the low crude prices. Oman's authorities and CBO, for their part, have taken steps to support non-oil economic activities, which remain important to ensuring sustainable growth over the medium to a long run in the Sultanate.

### 14.1 CBO's Support Measures Against COVID-19

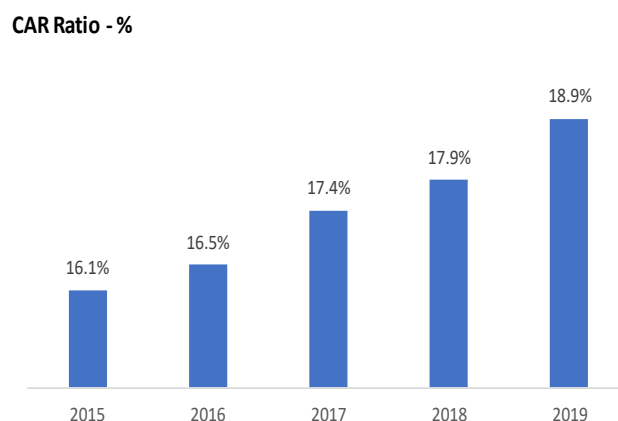
On 18 March 2020, the Central Bank of Oman (CBO) announced a comprehensive incentive package to inject additional liquidity of more than OMR 8 billion (USD 20.78 billion) into the economy. Key measures for the banking sector announced as part of the package include:

- Lowering the capital conservation buffers by 50 per cent, from 2.5 per cent to 1.25 per cent
- Increasing the lending ratio/financing ratio by 5 per cent, from 87.5 per cent to 92.5 per cent, on the condition that this additional scope be reserved for lending to productive sectors of the economy, including the healthcare sector
- Accepting requests for deferment of loans/interest (profit for Islamic financial institutions) for affected borrowers, particularly SMEs, with immediate effect for the coming six months without adversely impacting the risk classification of such loans
- Reducing the interest rate on repo operations by 75 basis points, to 0.50 per cent, and increase the tenor of repo operations up to a maximum of three months
- Decreasing the interest rate on discounting of government treasury bills by 100 basis points, to 1.00 per cent
- Reducing the interest rate on foreign currency swap operations by 50 basis points and increase in the tenor of swap facility up to a maximum period of six months
- Lowering the interest rate on rediscounting of a bill of exchange and promissory note (with two signatures) by 100 basis points, to 3 per cent
- Decreasing the interest rate on rediscounting of a promissory note with acceptable guarantee by 100 basis points, to 3.25 per cent
- Reducing the interest rate on rediscounting of a promissory note accompanied by trust receipt by 125 basis points, to 3.50 per cent

## 14.2 Omani Banks Boast Robust Capital Adequacy

The Omani banking sector boasts ample capital adequacy levels as at Dec-end 2019. CAR ratio at the end of 2019 was at 18.9 per cent compared to 17.9 per cent in 2018 i.e. significantly higher than the minimum required by the CBO at 13.50 per cent

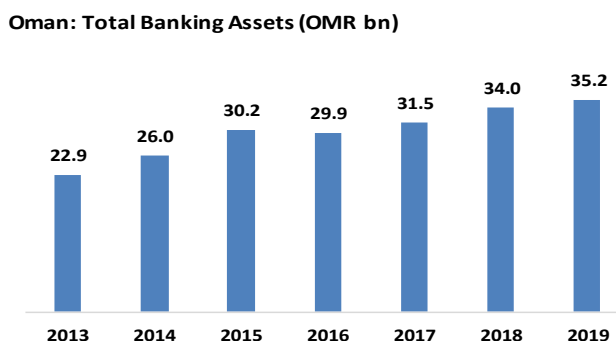
Recently, the CBO announced lowering Capital Conservation Buffers (CCB) from 2.5 per cent to 1.25 per cent as a policy measure to support banks in the context of the prevailing economic condition. U Capital Research believes that this is positive for banks in order to remain above minimum regulatory requirements.



Source: CBO

## 14.3 Significant Growth in Asset Base

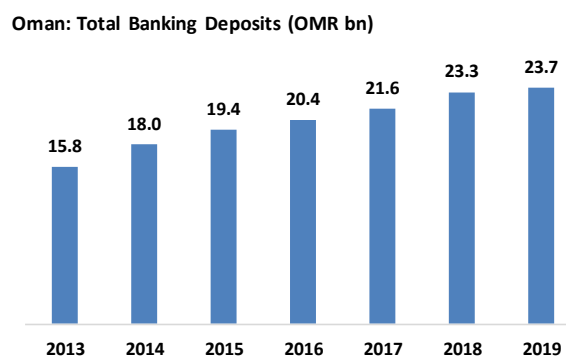
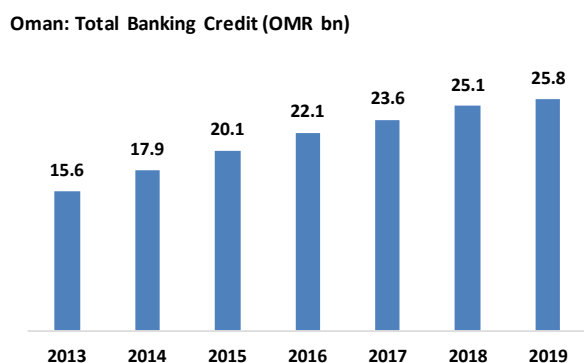
Oman's total banking assets (Conventional as well as Islamic) have grown at a CAGR of 7.4 per cent during 2013-19. Overall assets of the sector grew by OMR 22.9 billion in 2013 to OMR 35.2 billion in 2019. In 2019, sector assets grew by 3.7 per cent



Source: CBO

## 14.4 Healthy Credit and Deposit Growth

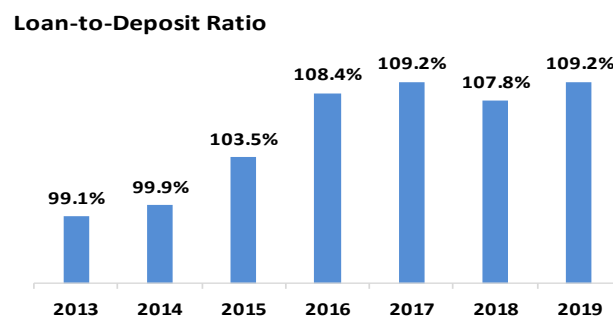
According to statistics from the CBO, the Sultanate's banking sector consolidated in 2019 with a healthy credit growth of about 3.1 per cent year-on-year, touching the OMR 25.8 billion mark as at the end of December 2019. Total deposits registered a growth of 1.7 per cent year-on-year to OMR 23.7 billion as at the end of December 2019.



Source: CBO

## 14.5 Loans to Deposit Ratio Continues to Rise

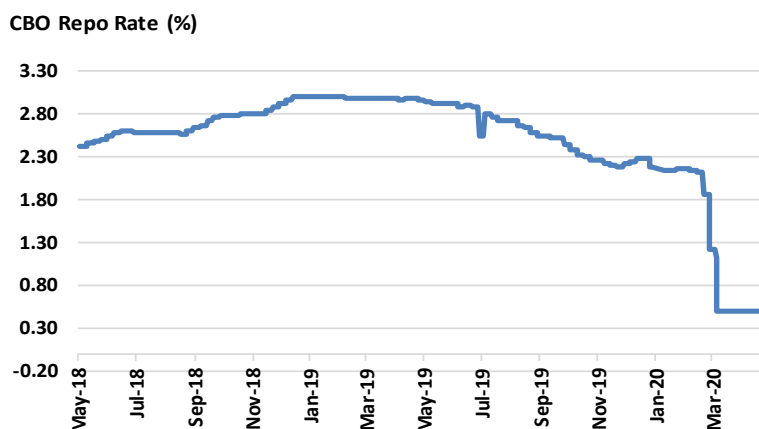
The loan to deposit ratio in Oman has also continued to increase over the years. In 2019, the loan to deposit ratio stood at 109.2 per cent compared to 107.8 per cent in 2018 and 99.9 per cent five years ago in 2014. The loan to deposit ratio has further risen to 109.4 per cent by March 2020.



Source: CBO

## 14.6 CBO Repo Rate

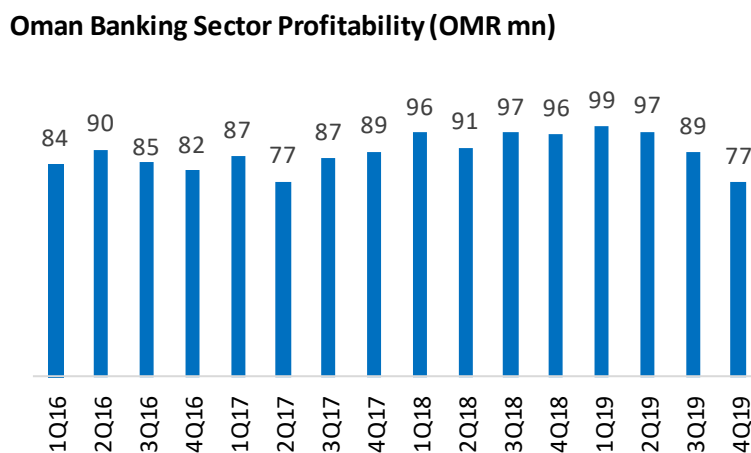
As per Bloomberg, Oman's repo rate (a target interest rate set by the CBO in its efforts to influence short-term interest rates as part of its monetary policy strategy) is stable at 0.5bps since the rate cut announced on 18 March 2020, as part of the stimulus package to fight the effect of COVID-19. Under normal circumstances, Oman's repo rate follows the trend of the US Fed funds policy rates due to the Oman's currency peg to the USD.



Source: Bloomberg

## 14.7 Banking Sector Profitability Continues to Improve

Listed companies in the Omani banking sector witnessed a CAGR growth of 2.0 per cent in net income during 2016-19. The banking sector has continued to maintain its profitability despite various challenges faced by it over the last several years. Overall banking sector profits have grown from OMR 340.9 million in 2016 to OMR 362 million in 2019.



Source: MSM

## 14.8 Select Monetary and Banking Indicators of Oman

|                                       | 2015   | 2016   | 2017   | 2018   | 2019          |
|---------------------------------------|--------|--------|--------|--------|---------------|
| <b>Monetary Indicators</b>            |        |        |        |        |               |
| Currency with Public (OMR million)    | 1,395  | 1,299  | 1,266  | 1,242  | <b>1,611</b>  |
| Narrow Money - M1 (OMR million)       | 5,368  | 4,979  | 4,941  | 4,930  | <b>5,344</b>  |
| Broad Money - M2 (OMR million)        | 15,146 | 15,424 | 16,069 | 17,400 | <b>17,752</b> |
| CBO's Foreign Assets (OMR million)    | 6,746  | 7,791  | 6,186  | 6,686  | <b>6,407</b>  |
| <b>Banking Indicators</b>             |        |        |        |        |               |
| Number of Conventional Banks          | 16     | 16     | 16     | 16     | <b>16</b>     |
| Number of Branches of Conv. Banks     | 468    | 470    | 436    | 449    | <b>451</b>    |
| Number of Branches of Islamic Banks   | 60     | 70     | 76     | 81     | <b>84</b>     |
| <b>Financial Deepening Indicators</b> |        |        |        |        |               |
| Bank Credit to GDP                    | 75.8%  | 87.3%  | 86.5%  | 82.2%  | <b>88.1%</b>  |
| Bank Credit to Non-Oil GDP            | 104.5% | 112.9% | 116.3% | 120.2% | <b>126.1%</b> |
| Bank Deposit to GDP                   | 73.3%  | 806.0% | 79.3%  | 76.3%  | <b>80.6%</b>  |
| Bank Deposit to Non-Oil GDP           | 101.0% | 104.2% | 106.5% | 111.6% | <b>115.3%</b> |
| Broad Money to GDP                    | 57.2%  | 60.0%  | 57.5%  | 57.1%  | <b>60.6%</b>  |
| Broad Money to Non-Oil GDP            | 78.8%  | 78.7%  | 79.4%  | 83.5%  | <b>86.8%</b>  |

Source: CBO, U CAPITAL

## 15. DESCRIPTION OF OMAN ARAB BANK

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### 15.1 History and Operations

OAB was incorporated in Oman on 1 October 1984 as an SAOC following the acquisition of Arab Bank's branches in Oman. It is principally engaged in commercial banking activities through a network of branches in Oman. OAB operates in Oman under a banking licence issued by the CBO and is covered by its deposit insurance scheme.

Al Yusr, OAB's Islamic banking window, commenced operations on 14 July 2013 and operates under an Islamic banking licence granted by the CBO. The principal activities of Al Yusr are providing *Shari'a* compliant financing, accepting *Shari'a* compliant deposits and other activities permitted under the CBO's regulated Islamic Banking Services as defined in the licensing framework.

Over the past three decades, OAB has consistently expanded its reach as well as its products and services offering to provide customers in the country with a comprehensive suite of innovative solutions in retail banking, corporate and project finance, investment banking, trade finance and Islamic banking.

As at 31 December 2019, OAB had 70 branches and representative offices, and 152 ATMs in high footfall locations across Oman.

### 15.2 Financial Overview

31 December 2019

OAB's profit increased by 8.3 per cent to RO 32.6 million for the year ended 31 December 2019 from RO 30.1 million for the year ended 31 December 2018, which represented an increase of 13.5 per cent from RO 26.5 million for the year ended 31 December 2017.

OAB's total assets increased 7.2 per cent to RO 2.5 billion as at 31 December 2019 from RO 2.3 billion as at 31 December 2018, which represented an increase of 8.9 per cent from RO 2.1 billion as at 31 December 2017.

OAB's total equity attributable to equity holders of OAB increased by 4.2 per cent to RO 296.3 million as at 31 December 2019 from RO 284.3 million as at 31 December 2018, which represented an increase of 3.2 per cent from RO 275.5 million as at 31 December 2017 from RO 26.6 million for the year ended 31 December 2017.

In accordance with the CBO guidelines, OAB was required to maintain its capital adequacy ratio at a minimum of 12.875 per cent (including the capital conservation buffer) as at 31 December 2018 and with effect from 1 January 2019, to maintain its capital adequacy ratio at a minimum of 13.5 per cent (including the capital conservation buffer). OAB's total capital adequacy ratio (calculated in accordance with CBO guidelines) as at 31 December 2019 was 15.20 per cent, as at 31 December 2018 was 16.54 per cent and as at 31 December 2017 was 15.69 per cent OAB's Tier 1 capital ratio was 14.31 per cent as at 31 December 2019, 15.25 per cent as at 31 December 2018 and 14.10 per cent as at 31 December 2017.

## 31 March 2020 – Profit & Loss

With a robust 11 per cent growth in NII mainly due to a positive rate and volume variance on commercial loans and short term loans, the Bank's total income has increased by 6 per cent to RO 24.6 M despite an adverse NFI result by 10 per cent Non-Funded Income was adverse mainly due to lower corporate loan fees and Trade income. Operating costs increased by 9 per cent due to a donation to MOH in relation to COVID-19. Excluding this one off expense, the cost increase was in line with inflationary adjustments.

Operating profit at the core business level generated a 3 per cent increase despite JAWS being negative as cost growth outpaced income growth. Previous year's ECL had an overlay release of RO 3.6 M due to the classification of large corporate accounts. However, the non-existence of any release in the current period has culminated in the net provision and ECL charge increasing by 59 per cent Furthermore, higher taxation due to an under provision of previous year's tax assessment has offset the entire favourable operating profit variance that resulted in a decline of net profit by 13 per cent to RO 6.25 M.

## 31 March 2020 vs. 31 March 2019

The total asset base has grown by 8 per cent year on year mainly due to growth in net loans, due from banks and investments. The year on year growth in the conventional corporate portfolio was mainly in commercial loans and short term loans that grew by 21 per cent and 34 per cent respectively, whereas the retail portfolio marginally declined despite the growth in housing loans of 6 per cent which was offset by a decline in consumer loans by 5 per cent

Investments in GDBs and corporate bonds increased so as to benefit from higher yields and lower risk profile. While any further surplus funds were used to generate a higher yield by bank placements, as avenues to lend slowed.

With deposit growth outpacing loan growth, loans to deposits decreased year on year by 2.1 per cent Low cost CASA deposits have grown at a higher rate than term deposits. Conventional deposits, saw current accounts grow by 15 per cent, savings accounts by 8 per cent and term deposits by 1 per cent At a consolidated level, CASA deposits grew by 12 per cent

## 31 March 2020 vs. 31 December 2019

While the total asset base has grown by nearly 3 per cent net loans and advances have remained flat as any growth traction from the start of the year has been muted following the COVID-19 pandemic and the slowdown in the economy as short term loans have started to contract declining by 4.3 per cent Despite this, corporate overdrafts increased by 9.4 per cent Bills discounted grew by 5.7 per cent and commercial loans remained steady with a 1 per cent growth. Retail loans also held steady for the 3-month period with consumer loans and housing loans that account for 96 per cent of the portfolio remaining steady.

Investments in GDBs continue to grow as surplus cash is reinvested to benefit from increasing yields and while bank borrowings increased by nearly 3x off a low base, bank placements increased by over 3x as cash and cash balances with the central bank were managed more effectively.

Customer deposits that account for 92 per cent of overall funding marginally increased by 1.4 per cent as retail deposit gathering grew by over 5 per cent with corporate deposits declining by only 0.5 per cent At a consolidated level, CASA deposits grew by 12 per cent.

As at 31 March 2020, OAB's total capital adequacy ratio (calculated in accordance with CBO guidelines) was 15.03 per cent and its Tier 1 capital ratio was 14.15 per cent

### 15.3 Ratings

As at the date of this Offer Document, OAB had the following ratings from Moody's:

- long term local currency deposit ratings at Ba2 (with a negative outlook);
- long term foreign currency deposit at Ba3 (with a negative outlook); and
- baseline credit assessment at Ba3.

As at the date of this Offer Document, OAB had the following ratings from Capital Intelligence:

- long term foreign currency deposit ratings at BB+ (with a negative outlook);
- short-term foreign currency deposit ratings at B (with a negative outlook); and
- a core financing strength ratings at 'bbb-' Bank Standalone Rating at 'bb' (with a negative outlook)-

### 15.4 Awards

OAB has recently won a number of awards, including:

- Banker Middle East Product Awards 2019: Best Banking Services (Oman) – Overall and Best Retail Banking Services (Oman).
- Oman Banking & Finance Awards: Excellence in Innovative Banking Solutions Award 2018.
- STP Awards 2018: Straight Through Processing Excellence Award for US Dollar Payments.
- Trend Micro Customer Excellence Awards: 2018 Customer Excellence Award for Outstanding Security Practices.
- Dar Al Atta's Charity Award: OAB was honoured and appreciated for its continuous support of the charitable organisation and its various activities across Oman.

### 15.5 Strategy

OAB aims to optimise the safe deployment of its capital and maximise synergies with Arab Bank and OMINVEST in order to position OAB as one of the top three banks by assets in Oman and provide OAB's shareholders with a favourable rate of return on equity, whilst at the same time providing its customers with an enhanced banking experience, hiring top talent and nurturing its employees.

The existing strategy is part of OAB's plan to transform from a traditional bank to becoming a modern digital bank, whilst still maintaining a prudent outlook in its business. The strategy is built on three core principles: (i) capitalise on the gains, (ii) accelerate the growth and (iii) innovate the service offerings. The core principles form part of a continuous process that enables OAB to capitalise on its strengths and opportunity, thereby accelerating the growth in assets and profit and innovate its offering to further capitalise on it.

The acquisition of AIB is part of OAB's strategy to achieve a larger market share in the Islamic banking sector and the ability to expand its customer base in both the Islamic and conventional banking sectors. The resultant Islamic banking entity will have around 18 per cent market share with a wider range of products and services.

## 15.6 Competition and Competitive Strengths

OAB is subject to competition in Oman from both locally incorporated and foreign banks. As at 31 December 2019, there were seven local banks operating in Oman, nine foreign banks, two Islamic banks and six Islamic windows (Source: CBO Quarterly Report December 2019). Although locally incorporated banks generally have stronger relationships with Omani nationals and corporates which are incorporated in Oman, foreign banks may have greater resources, ability to leverage their international expertise and access to cheaper funding.

OAB believes that its competitive strengths are:

- Long standing Government relations
- Strong synergies with OMINVEST and Arab Bank
- Large market share in Trade finance and foreign exchange business
- Strong commitment to innovation
- Motivated talent pool
- Strong Islamic banking capabilities
- Strong corporate governance and risk management culture

## 15.7 Financial Reporting and Business segments

For financial reporting purposes, OAB's business activities are classified within the following segments:

- **Retail banking:** private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- **Corporate banking:** current accounts, deposits, overdrafts, loan and other credit facilities and foreign currency;
- **Treasury:** range of treasury products and services including money market and foreign exchange to OAB's customers in addition to managing liquidity and market risk;
- **Head office and support:** operational and support functions; and
- **Islamic banking "Al Yusr":** private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages corporate current and call deposits, wakala and mudarabah deposits, murabaha financing, ijarah financing.

Set out below is a summary of certain segmental financial information as at and for the years ended 31 December 2019, 31 December 2018 and 31 December 2017.

31-Dec-19

|                               | Retail<br>banking | Corporate<br>banking | Treasury      | Head office<br>and<br>support | Islamic<br>banking "Al<br>Yusr" | Total         |
|-------------------------------|-------------------|----------------------|---------------|-------------------------------|---------------------------------|---------------|
|                               | <i>RO'000</i>     |                      |               |                               |                                 |               |
| Interest income               | 39,370            | 64,726               | 9,462         | 367                           | -                               | 113,925       |
| Interest expense              | (6,550)           | (9,582)              | (2,100)       | (23,408)                      | -                               | (41,640)      |
| Other operating<br>income     | 4,682             | 9,517                | 2,669         | 175                           | 3,634                           | 20,677        |
| <b>Total operating income</b> | <b>37,502</b>     | <b>64,661</b>        | <b>10,031</b> | <b>22,866</b>                 | <b>3,634</b>                    | <b>92,962</b> |
| Assets                        | 720,133           | 1,149,911            | 388,468       | 73,136                        | 165,479                         | 2,497,129     |
| Liabilities                   | 561,785           | 1,292,571            | 31,465        | 95,253                        | 147,212                         | 2,128,286     |
| Allowance for<br>impairment   | 8,405             | 42,093               | 354           | -                             | 3,062                           | 53,914        |

31-Dec-18

|                               | Retail banking | Corporate banking | Treasury     | Head office and support | Islamic banking "Al Yusr" | Total         |
|-------------------------------|----------------|-------------------|--------------|-------------------------|---------------------------|---------------|
| <i>RO'000</i>                 |                |                   |              |                         |                           |               |
| Interest income               | 38,476         | 55,108            | 6,677        | 323                     | -                         | 100,584       |
| Interest expense              | (5,305)        | (12,346)          | (400)        | (16,010)                | -                         | (34,061)      |
| Other operating income        | 6,023          | 9,208             | 2,662        | 170                     | 3,058                     | 21,121        |
| <b>Total operating income</b> | <b>39,194</b>  | <b>51,970</b>     | <b>8,939</b> | <b>(15,517)</b>         | <b>3,058</b>              | <b>87,644</b> |
| Assets                        | 730,847        | 1,034,631         | 382,979      | 34,131                  | 146,230                   | 2,328,818     |
| Liabilities                   | 501,833        | 1,246,581         | 47,008       | 51,575                  | 124,945                   | 1,971,942     |
| Allowance for impairment      | 8,992          | 44,909            | 538          | -                       | 1,318                     | 55,757        |

31-Dec-17

|                               | Retail banking | Corporate banking | Treasury     | Head office and support | Islamic banking "Al Yusr" | Total         |
|-------------------------------|----------------|-------------------|--------------|-------------------------|---------------------------|---------------|
| <i>RO'000</i>                 |                |                   |              |                         |                           |               |
| Interest income               | 37,558         | 46,762            | 3,521        | 274                     | -                         | 88,115        |
| Interest expense              | (5,268)        | (10,560)          | (14)         | (16,674)                | -                         | (32,516)      |
| Other operating income        | 7,753          | 8,499             | 2,629        | 1,256                   | 2,002                     | 22,139        |
| <b>Total operating income</b> | <b>40,043</b>  | <b>44,701</b>     | <b>6,136</b> | <b>(15,144)</b>         | <b>2,002</b>              | <b>77,738</b> |
| Assets                        | 689,448        | 931,871           | 375,260      | 38,943                  | 103,477                   | 2,138,999     |
| Liabilities                   | 488,072        | 1,168,879         | 2,985        | 81,371                  | 92,144                    | 1,833,451     |
| Allowance for impairment      | 17,707         | 31,769            | -            | -                       | 983                       | 50,459        |

The complete financial statements of OAB for the years ended 31<sup>st</sup> December 2019, 2018 and 2017 are available on the website of OAB (<http://www.oman-arabbank.com/home/about-us/financial-statements/>).

## 15.8 Retail Banking

As at 31 December 2019, OAB's retail banking assets amounted to RO 720.1 million and accounted for 28.8 per cent of OAB's total assets (compared to RO 730.8 million, 31.4 per cent as at 31 December 2018 and RO 689.4 million, 32.2 per cent as at 31 December 2017). As at 31 December 2019, OAB provided retail banking products and services to 334,206 customers.

For the year ended 31 December 2019, retail banking activities generated operating income of RO 37.5 million which accounted for 40.3 per cent of OAB's total operating income (compared to RO 39.2 million and 44.7 per cent for the year ended 31 December 2018 and RO 40.0 million, 51.5 per cent for the year ended 31 December 2017).

## 15.9 Corporate Banking

As at 31 December 2019, OAB's corporate banking assets amounted to RO 1.1 billion and accounted for 46 per cent of OAB's total assets (compared to RO 1.0 billion, 44.4 per cent as at 31 December 2018 and RO 0.9 billion, 43.6 per cent as at 31 December 2017). As at 31 December 2019, OAB provided corporate banking products and services to 17,945 customers.

For the year ended 31 December 2019, corporate banking activities generated operating income of RO 64.7 million which accounted for 69.7 per cent of OAB's total operating income (compared to RO 52 million, 59.3 per cent for the year ended 31 December 2018 and RO 44.7 million, 57.5 per cent for the year ended 31 December 2017).

#### 15.10 Treasury Services

OAB treasury and investment department offers its customers a wide range of treasury products while protecting them against unforeseen risks in the treasury business. It is staffed by a highly experienced team supported by OAB's group strategic partner Arab Bank. As at 31 December 2019, OAB's treasury assets amounted to RO 388 million and accounted for 15.6 per cent of OAB's total assets (compared to RO 383 million, 16.4 per cent as at 31 December 2018 and RO 375 million, 17.5 per cent as at 31 December 2017).

For the year ended 31 December 2019, treasury activities generated operating income of RO 10.0 million which accounted for 10.8 per cent of OAB's total operating income (compared to RO 8.9 million, 10.2 per cent for the year ended 31 December 2018 and RO 6.1 million, 7.9 per cent for the year ended 31 December 2017).

The treasury department actively aligns with the core businesses and its clients and does not undertake any proprietary positions.

#### 15.11 Islamic Banking - Al Yusr

Al Yusr, OAB's Islamic banking window, aspires to provide its customers with innovative Shari'a compliant products and excellent customer services through state-of-the-art distribution channels at competitive prices.

Al Yusr operations, in accordance with the IBRF, has a separate core banking system, separate dedicated branches and key staff positions to ensure no-comingling of conventional and Islamic funds, segregation of core functions and marketing of Islamic banking products and services. OAB also has separately allocated capital for offering Islamic banking services and products.

Al Yusr's compliance governance structure consists of the independent SSB and internal Shari'a department that includes Shari'a audit, Shari'a compliance and Shari'a risk functions. Al Yusr offers retail and corporate banking products to cater to the banking needs of the retail and corporate banking customers through its various products and services. All products provided by Al Yusr are approved by the SSB and based on the widely accepted Shari'a structures such as murabaha, ijarah, mudarabah, musharakah, diminishing musharaka, wakalah, wa'ad and istisna'a.

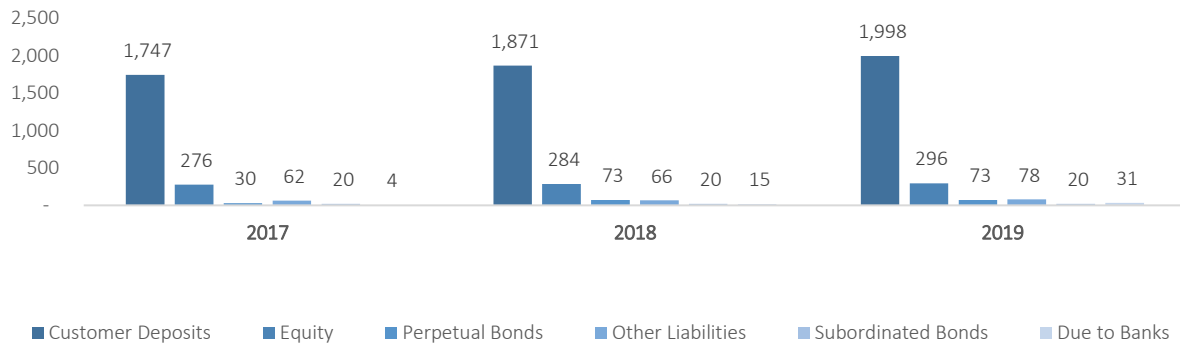
Al Yusr is operating with seven dedicated branches strategically located in the major cities of Oman.

As at 31 December 2019, Al Yusr's assets amounted to RO 165 million and accounted for 6.6 per cent of OAB's total assets (compared to RO 146 million, 6.3 per cent as at 31 December 2018 and RO 103 million, 6.1 per cent as at 31 December 2017).

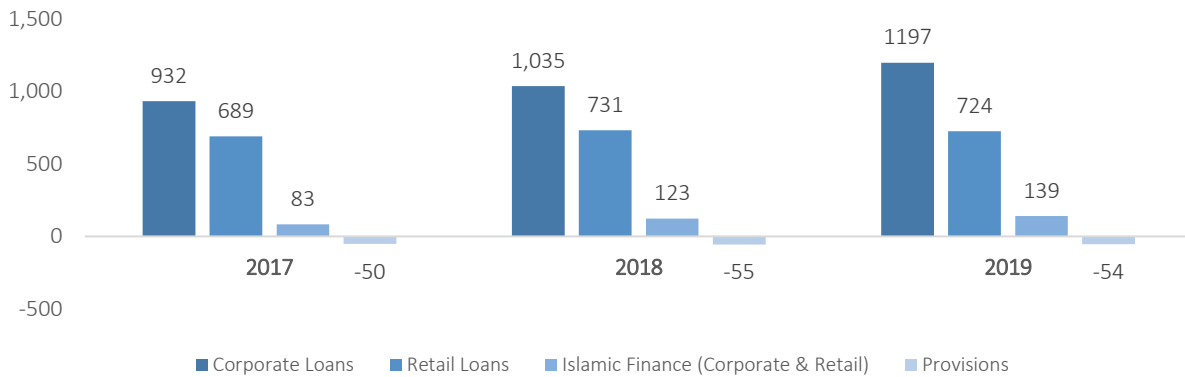
For the year ended 31 December 2019, Al Yusr's activities generated operating income of RO 3.6 million which accounted for 3.9 per cent of OAB's total operating income (compared to RO 3.1 million, 3.5 per cent for the year ended 31 December 2018 and RO 2.0 million, 2.6 per cent for the year ended 31 December 2017).

## 15.12 Operating Performance

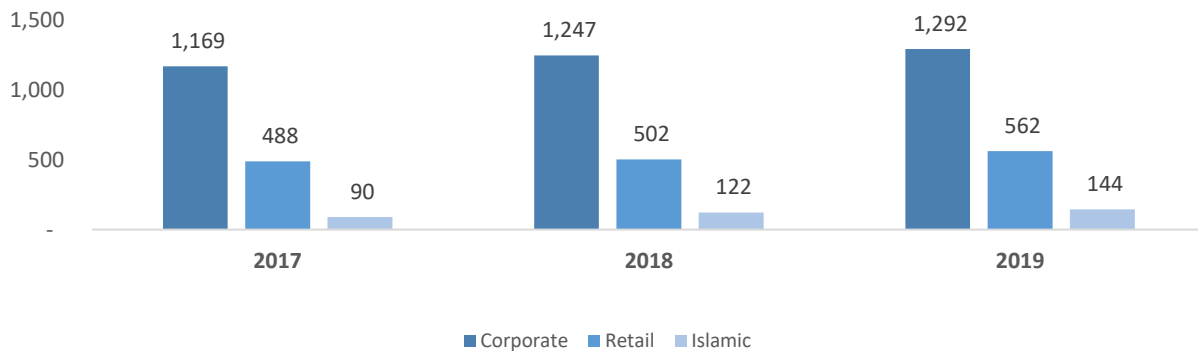
### Source of Financing (RO Million)



### Loans (RO Million)

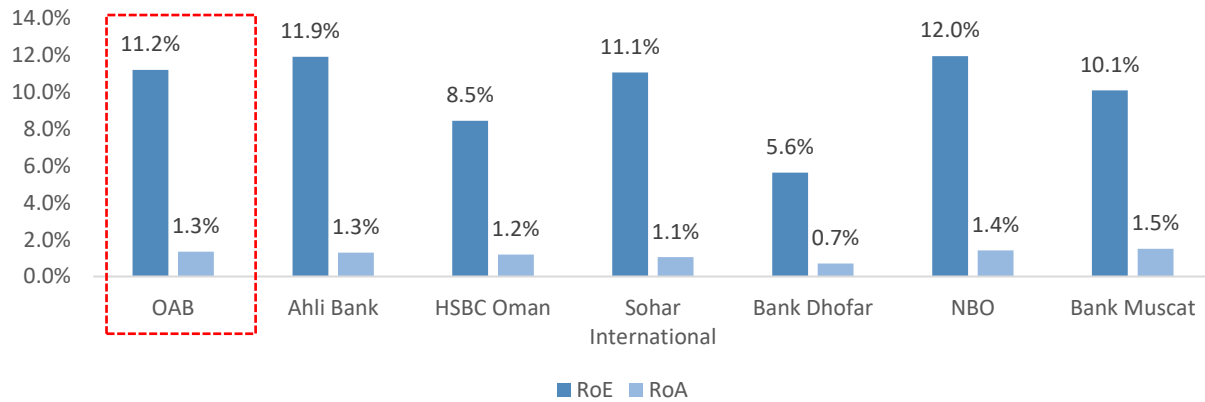


### Deposits (RO Million)

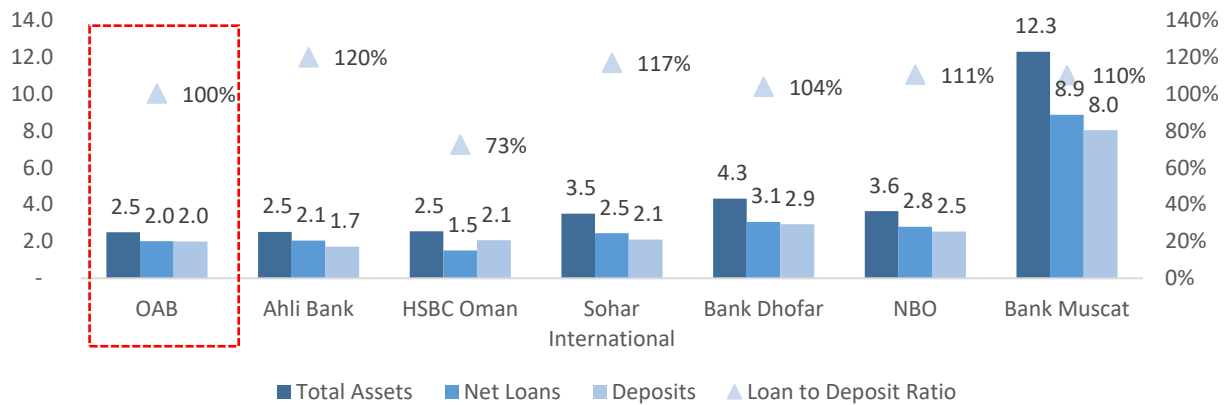


### 15.13 Peer Comparison

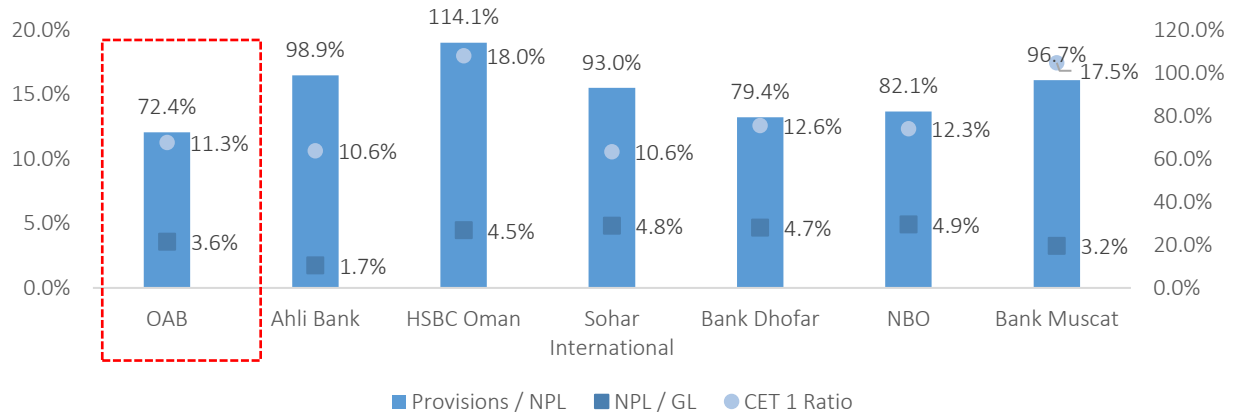
#### Profitability - 2019



#### Balance Sheet - 2019 (RO Billion)



#### Asset Quality, Coverage, & Adequacy - 2019



## 15.14 Other Key Divisions

### 15.14.1 Legal Department

OAB's Legal Department's main duties are to:

- ensure that OAB complies with laws and regulations in coordination with Internal Audit, the Compliance Department and the Risk Management Department;
- review OAB's constitutional documents as well as any subsequent amendments thereto in a manner consistent with the laws and regulations in force;
- review and approve prospectuses confirming they meet all legal requirements and that the non-financial information contained therein are in line with the provisions of laws and regulations in force in Oman and OAB's constitutional documents;
- prepare, revise and approve contracts and agreements to which OAB is a party to make sure they meet all legal requirements;
- review and approve the nomination forms relating to membership of the OAB Board and to make sure they meet all of the information and data required, and the election process is conducted in accordance with the Applicable Laws;
- review and study of cases of fraud, embezzlement, theft and damage in OAB and to provide appropriate legal advice on them;
- review by all means to protect OAB's assets and the rights in such assets;
- express opinions on legal cases and other issues referred to it by OAB's management;
- speak and represent OAB and manage all cases at courts, tribunals, bodies of investigation and prosecution, the Royal Oman Police, judicial jurisdiction and administrative committees and other points of the official investigation;
- assume, plead, defend and manage all cases in various courts and decrees and Prosecution with the Royal Oman Police and other legal bodies; and
- conduct studies and legal research that aims to develop the legal action and protect the interests of OAB in accordance with directives issued from time to time.

### 15.14.2 Compliance Department

The Compliance Department is responsible for developing the compliance policy of OAB and ensuring its implementation throughout OAB. The responsibilities of the Compliance Department include:

- monitoring anti-money laundering activities and any related activities including communication with the CBO and the Royal Oman Police and preparing all necessary reports and training to employees;
- evaluating the internal operations of OAB for appropriateness and adequacy and ensuring compliance with laws, regulations and any guidance;
- reporting on operational compliance within OAB to the Compliance and Risk Committee, copying the CEO on each report; and
- monitoring compliance with international sanctions.

### 15.14.3 Internal Audit

The Internal Audit Division gives an independent assurance to the OAB Board, executive management, and the regulator that policies and procedures are followed and that management takes appropriate and timely corrective action in response to identified internal control weaknesses.

While the responsibility for identifying and managing risks belongs to management, the Internal Audit Division's role is to provide assurance that those risks have been properly managed. This is achieved by conducting a risk based audit approach that looks at operational, financial, regulatory, and information technology risks.

The Internal Audit Division is subject to an external quality review every five years in line with the International Standards for the Professional practices framework promulgated by the Institute of Internal Auditors.

#### 15.14.4 Risk Management Department

The Risk Management Department reports to the Compliance and Risk Committee and on a day to day operational basis, it reports to the CEO. The responsibilities of the Risk Management Department include:

- analysing all risks including credit risk, market risk, liquidity risk and operational risk;
- developing methodologies for the measurement and control of each risk;
- recommending limits to the Compliance and Risk Committee and approving, reporting and recording exceptions to Bank policies;
- providing information of risk metrics and on OAB's risk profile to OAB's senior management and to the OAB Board; and
- providing risk information for use in OAB's public statements and reporting.

#### 15.14.5 *Shari'a* Supervisory Board

The Islamic banking operation of Al Yusr is overseen by an independent SSB, which consists of three well-known and highly reputable Islamic scholars, with notable experience in Islamic banking industry.

The SSB is the ultimate responsible authority within Al Yusr on *Shari'a* related matters. It is the *Shari'a* governance structure on which the OAB Directors relies for all matters relating to the *Shari'a* in the normal course of business and operations of Al Yusr. The fatwa and rulings of the SSB is binding on all products and services that are offered by Al Yusr Islamic Banking.

The SSB is entrusted with the duty of directing, reviewing and supervising the activities of Al Yusr Islamic Banking in order to ensure that they are in compliance with *Shari'a* principles. The main responsibilities of the SSB are to:

- advise the OAB Board and Management of OAB on *Shari'a* matters in Al Yusr's business operation;
- conduct *Shari'a* reviews for the post product launch;
- review and approve all relevant documentations and legal contracts associated with the products and services of Al Yusr;
- assist on *Shari'a* matters for advice upon request;
- review and approve works of Al Yusr's internal *Shari'a* Audit & *Shari'a* Compliance function;
- endorse *Shari'a* governance manuals and subsequent revisions;
- submit reports to the OAB Board and shareholders of OAB on the compliance of Al Yusr's operations with *Shari'a* in order to be published as part of its annual report;
- supervise the Charity Fund for Al Yusr Islamic Banking; and

- review and approve investment funds to ensure that the Fund is managed and administered in accordance with *Shari'a* principles.

## Biographies of the SSB

### Dr. Essam Al-Enezi - Chairman

Dr. Al-Enezi is a faculty member of Shari'a and Islamic Studies at the University of Kuwait. He holds a PhD in Islamic Jurisprudence from the University of Jordan and a Master degree in Islamic Law from the University of Kuwait. Dr. Al-Enezi is a member of several prominent Shari'a Boards, such as AAOIFI, Bahrain Islamic Bank and Dar al-Istithmar. Dr. Al-Enezi is regular speaker in conferences and seminars focusing on Islamic finance and jurisprudence. He has also published several papers on topics related to Islamic banking and finance.

### Dr. Ahmad Ayyadi - Member

Dr. Ayyadi holds a PhD in Islamic Economics from the University of Holy Quran in Sudan and a Master degree in Islamic Economics from Yarmouk University in Jordan. His Bachelor degree is in Shari'a Studies from University of Jordan. Dr. Ayyadi is a member of several Shari'a committees in Jordan and has conducted various training sessions in the area of Islamic banking and finance. Dr. Ayyadi has an extensive academic background and has supervised a number of PhD students. He has also published several books and articles in well-known journals and has presented several papers on Islamic banking and finance during international conferences.

### Dr. Abdulaziz Al-Qassar - Member

Dr. Abdulaziz Al-Qassar is a faculty member of Shari'a College at the University of Kuwait. He holds a PhD in Comparative Jurisprudence from the Shari'a College, Al-Azhar University and a Master degree in Comparative Jurisprudence from the same university. Dr. Al-Qassar is a member of several prominent Shari'a boards, such as, Ahli United Bank (Kuwait), Elaf Bank (Bahrain), Kuwait International Bank (Kuwait), Reinsurance Company of Malaysia, Al Fajer Reinsurance (Kuwait). Dr. Al-Qassar is a regular speaker in conferences and seminars focusing on Islamic finance and jurisprudence. He is regularly contributing his papers in a number of journals on topics relating to Islamic Finance and Islamic law.

## 15.15 Branch Network and Product Distribution

### 15.15.1 Branches

As at 31 December 2019, OAB had an extensive network of 57 conventional branches and seven Islamic branches (which exclusively serve Al Yusr customers) and six representative offices operating in Oman. OAB's branch network continues to be the principal channel through which retail and corporate customers conduct their banking business. As at 31 December 2019, OAB also had 152 ATMs, CDMs and FFM.

### 15.15.2 Other distribution channels

OAB's other distribution channel have been signed to enable efficient and superior service delivery to all its banking customers. Besides the physical distribution of branches, OAB has the following alternative channels and distribution.

- Call centre 'Fil Khidma': OAB's customer can call OAB's call centre 'Fil Khidma' 24 hours a day, seven days a week. Customers can choose self-service banking to access account and card information or speak to qualified, highly knowledgeable service representatives to avail a

- variety of services including: balance enquiry, utility bill payments, credit card payments, money transfer, account management requests, mobile top ups, transaction and credit limit management and updating bank records.
- Internet and Mobile Banking: Using OAB Online from an internet browser and/or the OAB Online mobile app, OAB's customers can perform their day-to-day banking transactions, submit service requests, make inquiries and much more in a safe and secure manner, 24 hours a day, 7 days a week. OAB Online provides real time updates of balances and transaction for personal accounts, convenient money transfers, account and card transaction histories, secure transactions and account and credit card statements in pdf. Customers can also apply for a variety of services including cheque book requests, apply for loans, open new accounts, open fixed deposits accounts, eStatement register requests and eAdvice register requests.
  - SMS banking 'Tawasul': OAB's customers can also utilise the 'Tawasul' SMS banking service which provides free SMS alerts for banking transactions including balance enquiry, transaction history, utility bill payments and money transfer.

### 15.16 Claims, Litigations, Disputes, Regulatory Actions

Litigation is a common occurrence in the banking industry due to the nature of the business. OAB has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, OAB makes adjustments to account for any adverse effects which the claims may have on its financial standing. As of date, OAB has certain unresolved legal claims which are not expected to have any significant implication on OAB's financial statements.

### 15.17 Fund Raising Plans

OAB was in the process of raising USD 250 M of AT1 perpetual bonds in the international market to bolster their USD balance sheet and generate liquidity to fund USD denominated infrastructure projects for the benefit of Oman. With the onset of COVID-19, the debt markets became fragmented and it was decided to place on hold the process until such time as the markets return to a semblance of normality. AIB will fund its growth through issue of Sukuks based on its liquidity and capital requirements.

### 15.18 Management agreement with Arab Bank

Arab Bank, with its long history and wide network across the globe, has extensive experience in banking to assist OAB in its business and operations. OAB has a management agreement with Arab Bank Plc to provide banking related technical assistance and management services, as and when requested by OAB.

A fixed annual fee of 0.30 per cent of the net profit after tax is payable by OAB to Arab Bank for the services rendered. The agreement is valid for three years and automatically renewed for a similar period with the option of termination through notice.

There will be no change in the terms of the existing management agreement post acquisition.

### 15.19 Other Information

Post-acquisition of AIB, Arab Bank intends to remain a 49 per cent shareholder in OAB. In order to ensure that Arab Bank retains a 49% shareholding in OAB post-Takeover, OMNIVEST will sell such number of its shares in OAB to Arab Bank as may be needed for Arab Bank to retain a 49% shareholding in OAB after the Takeover is completed.

## 15.20 Future plans – post acquisition

OAB will inject the adequate capital to meet the regulatory requirements and support business growth of AIB. The larger net worth of OAB SAOG will provide AIB SAOC additional room to grow its business.

Following the completion of integration of the business of Al Yusr with AIB and stabilization of the operations, there will be active support from OAB in terms of inter-bank funding and credit lines to manage the liquidity of AIB.

AIB will be managed through an independent board of directors and management with active support from OAB. The wide correspondent bank relationship of OAB and Arab Bank will provide additional source of funding to manage its liquidity more efficiently.

The network of OAB and Arab Bank correspondents will also provide business opportunities in the form of remittance business, trade finance and money market transactions contributing to the fee income. The digital channels and branch network will be enhanced to improve the customer experience and thereby allow for increased customer acquisition.

A review of the business processes and policies will be undertaken to control costs. Business process reengineering and use of the agile framework to execute plans will result in enhanced cost efficiencies and improved productivity.

Further synergies will be realized in the form of:

- better offering of a suite of conventional and Islamic products/services to customers by the OAB group
- alliances with the OMIMVEST and Arab Bank group companies to reach a larger customer base
- technical support from the experts in the International Islamic Arab Bank to explore new products and employee development.

## 16. CORPORATE GOVERNANCE, OAB BOARD AND OAB'S MANAGEMENT

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### 16.1 Corporate Governance

OAB has prepared its Code of Corporate Governance in compliance with the requirements of the Code of Corporate Governance for Banks in Oman issued by the Central Bank of Oman. The Code also reflects the needs and policies of OAB, and it is approved by the OAB Board.

### 16.2 OAB's approach to corporate governance

OAB attaches considerable importance to the good corporate governance practices and the OAB Directors are committed to applying the highest standards of professional competence in all its activities. OAB follows the guidelines of the Central Bank of Oman, Basel Committee recommendations, Accounting and Auditing Standards and also applies the Capital Market Authority regulations that match with OAB's legal form.

### 16.3 OAB's Governance Framework

OAB has a well-established framework for good corporate governance which provides a solid basis for an effective relationship between OAB, the OAB Board, its shareholders and other interest groups. The general framework for corporate governance ensures equitable treatment for all shareholders and recognizes the established legal rights of both minority and foreign shareholders.

### 16.4 Role of the OAB Board

#### General principles:

- i) The prime responsibility of the OAB Board is to protect and maximize the interests of the shareholders on the long term. For this purpose, the OAB Board bears the full responsibility of corporate governance, including setting up of the strategy of OAB, setting up the goals of the executive management and overseeing the implementation to achieve such goals.
- ii) The OAB Board has overall responsibility for the operations and the financial soundness of OAB and ensures that the interests of shareholders, depositors, creditors, employees, and other stakeholders, including the Central Bank of Oman, are met. The OAB Board ensures that OAB is managed prudently and within the framework of laws and regulations and OAB's own policies.
- iii) OAB affirms that the obligations of each OAB Director are owed to OAB as a whole, and not to any particular shareholder.
- iv) The OAB Board sets OAB's strategic goals, as well as overseeing the executive management of OAB. The day-to-day operation of OAB is the responsibility of executive management, but the OAB Board as a whole ensures and certifies that internal control systems are effective and that OAB's activities comply with strategy, policies and procedures approved by the OAB Board or as required by law or regulation. As a critical part of these internal controls, the OAB Board ensures that all dimensions of OAB's risk are managed properly.
- v) The members of the OAB Board must inform the AGM for any related transactions and contracts intended to be made to Bank which require approval of the general assembly's interest and should this notice codifies the minutes of the general assembly, and he is not

permitted by the interested member to participate in the vote on the decision to be made on the deal or the proposed contract.

- vi) The members of the OAB Board are responsible to OAB and shareholders and third parties for damages resulting from actions committed in violation of the law and their actions that go beyond the limits of their powers and any fraud or negligence they commit in the performance of their duties, as well as the disposal of non-disposal insightful person in certain circumstances.

#### Board Size and Composition

The OAB Board comprises of nine members elected by the AGM of OAB for a term of three years.

#### Meetings of the OAB Board

The OAB Board meets formally at least four times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between scheduled meetings.

CBO has issued various rules and regulations relating to the Board and Directors of banks and OAB adheres to such requirements.

## 16.5 Board Committees

Currently there are four Board Committees whose powers are governed by the relevant committee's terms of reference, as approved by the OAB Board. The four Board Committees are: Credit Committee, Audit Committee, Compliance and Risk Committee and the Selection and Remuneration Committee. Other committees may be established from time to time to consider matters of special importance.

### 16.5.1 Brief description of the OAB Board Committees

#### a) Audit Committee

The Committee shall have the following main duties:

- Approve the scope of internal audit work planned for the year
- Review and approve the scope of external audit work planned for the year
- Review accounting policies to ensure compliance with relevant laws, regulations and accounting standards, and recommend any changes to the OAB Board for approval
- Approve protocols governing the provision of non-audit services by external auditor, that are outside the scope of external audit work to be undertaken, to ensure auditor independency
- Oversee and annually review the performance of Internal Audit function
- Ensure that the recommendations of external and internal auditors are well addressed and implemented
- Ensure the external and internal audit role in reviewing and auditing the IT systems /applications and the IT security
- Ensure that the back-up and Disaster Recovery Plans are in place
- Ensure compliance with international accounting standards implemented in Sultanate of Oman
- Ensure that Bank's financial statements were prepared according to Central Bank of Oman regulations and other applicable standards

b) Board Credit Committee

The Committee shall have the following main duties:

- Review and approve policies with regards to credit risk limit and controls
- Review Bank's credit portfolio on regular basis in coordination with Board Risk Committee
- Review and approve credit facilities above executive management's approval limits
- Review Management Credit Committee recommendations with respect to debt written-off or written-down and take appropriate decision within the OAB Board Credit Committee's delegated authorities or escalate to the OAB Board for a decision
- Consider matters of special importance as delegated by the OAB Board

c) Board Compliance and Risk Management Committee

The Committee shall have the following main duties:

- Assist the OAB Board with formulation of Bank's Risk Appetite Statement
- Establish and review the framework for risk management throughout OAB covering all risks including strategic, market, liquidity, credit, operational and reputational risks on an ongoing basis
- Ensure the risk management framework, including policies, procedures and monitoring, accurately reflects Bank's Strategy, Risk Appetite, accepted practices and legal and regulatory requirement
- Promote and ensure high level of risk management throughout OAB
- Review the strategy, plan and budget for risk management function
- Review the assessment of Bank's risk profile to understand the key risks affecting OAB and recommend to Board for approval
- Review and recommend the Internal Capital Adequacy Assessment Process (ICAAP) for Board approval consistent with Board determined risk appetite
- Review regulators' reports on adequacy of Bank's Risk Management Frameworks
- Review the adequacy of Bank's general insurance policies established by management, and for Directors' and Officers' (D&O) insurance recommending to the OAB Board D&O insurance for approval
- Review the effectiveness of process for monitoring compliance with all applicable laws and regulations
- Review OAB's compliance arrangements to ensure they are in accordance with OAB's objectives and strategy, as well as regulatory or legislative requirements
- Review any proposed legislative or regulatory changes, the impact such changes may have on Bank's business and internal policies and controls which will be introduced to address these changes
- Approve Compliance Department/Function's charter and review the same on annual basis to update as appropriate

d) Board Selection and Remuneration Committee

The Committee shall have the following main duties:

- Recommend the appointment of CEO to the OAB Board
- Set up the Key Performance Indicators for the CEO and review the same on annual basis in order to review and recommend to the OAB Board the CEO's total remuneration

- Approve the appointment of executive management team based on CEO's nomination /recommendation except for Head of Internal Audit, the Chief Compliance Officer, the Chief Risk Officer and OAB's Legal Counsel whose appointment falls within the responsibility of other Board Committees and/or the OAB Board
- Approve remuneration of executive management team including salaries and other benefits
- Ensure that OAB has a proper remuneration policy, review and recommend amendments in policy to the OAB Board
- Review and monitor human resource plan and align the plan to achieve Bank's strategies
- Ensure that Bank has proper training, career development and succession plans
- Review and monitor 'Omanisation' plan and identify the positions that should be occupied by Omanis with timetable to achieve the plan

## 16.6 Shari'a Supervisory Board

OAB has appointed a Shari'a Supervisory Board to oversee compliance of its Islamic Banking window "Al Yusr". The members consist of three prominent Shari'a scholars.

| Name                            | Membership | Date of Appointment |
|---------------------------------|------------|---------------------|
| Dr. Esam Khalaf Al Enzi         | Chairman   | January 2013        |
| Dr. Ahmed Sobhi Ahmed Al Ayadi  | Member     | January 2013        |
| Dr. Abdulaziz Khalifa Al Qassar | Member     | July 2014           |

## 16.7 Controlling and Managing Risk

### 16.7.1 Approach to Risk Management

Risk is inherent in the banking business. Risk management is a strategic issue in today's competitive environment. Taking and managing risk are central to OAB's business and to building shareholder value. To do this effectively OAB needs to optimize its level of risk. OAB's risk approach links its vision and values, objectives and strategies, and procedures and training.

OAB recognizes three main types of risk:

- Credit risk, being the risk of financial loss from the failure of customers to honour fully the terms of their contract with OAB;
- Market risk, being the risk to earnings from changes in market factors such as interest and foreign rates, or liquidity and funding profiles; and
- Operational Risk, being the risk of unexpected financial, reputation or other damage arising from the way the organisation pursues its business objectives.

These categories are inter-related and therefore OAB takes an integrated approach to managing them.

### 16.7.2 Risk Management Roles and Responsibilities

The OAB Board is responsible for approving and reviewing OAB's risk management strategy and policy. Executive management is responsible for implementing the OAB Board-approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the activities.

In order to effectively manage various risks in the business, OAB has set up a Risk Management department. The head of this department is responsible for independently evaluating and managing the risks. He reports directly to the Compliance & Risk Management Committee of the OAB Board.

## 16.8 Communication with Shareholders, Regulators and Wider Market

OAB is committed to giving all shareholders comprehensive and equal access to information about OAB's activities and fulfilling its continuous disclosure obligations to Central Bank of Oman.

## 16.9 The OAB Board

### 16.9.1 OAB Board

The OAB Board consists of nine members, as required by OAB's corporate governance code, and the OAB Board is elected by the AGM of OAB for a term of three years. The OAB Board meets at least four times a year and during 2019 it met five times. The Chairman is elected by the members of the OAB Board.

As at the date of this Offer Document, the composition of the OAB Board is as follows:

| Name of Director         | Position        | Year of Appointment | Appointment Expiration |
|--------------------------|-----------------|---------------------|------------------------|
| Mr. Rashad Al Zubair     | Chairman        | 01 Oct 1989         | 24/3/2022              |
| Mr. Wahbe Tamari         | Deputy Chairman | 25 Aug 2016         | 24/3/2022              |
| Ms. Randa Sadik          | Director        | 01 Jul 2010         | 24/3/2022              |
| Mr. Hani Al Zubair       | Director        | 01 Jun 1999         | 24/3/2022              |
| Mr. Mulham Al-Jarf       | Director        | 01 Sep 2007         | 24/3/2022              |
| Mr. Abdulaziz Al Balushi | Director        | 19 Mar 2014         | 24/3/2022              |
| Mr. Walid Samhour        | Director        | 19 Mar 2014         | 24/3/2022              |
| Mr. Imad Sultan          | Director        | 16 Jun 2014         | 24/3/2022              |
| Ms. Nadya Talhouni       | Director        | 23 Apr 2018         | 24/3/2022              |

The business address of all members of the OAB Board is North Al Ghoubra, P.O. Box 2240, Al-Athaiba, Postal Code 130, Muscat, Oman. No member of the OAB Board has any actual or potential conflict of interest between their duties to OAB and their private interests and/or duties.

### 16.9.2 Biographies of the OAB Directors

#### Mr. Rashad Al Zubair - Chairman

Appointed Chairman in October 1989, Mr. Rashad Al Zubair has more than 21 years of business experience. He was the Deputy Chairman & President of The Zubair Corporation and Vice Chairman of OMINVEST from 1996 until 2011.

Mr. Rashad Al Zubair was a Director of the CMA for more than six years until 2008. He is also the Deputy Chairman of Barr Al Jissah Resorts. Over the years, he has held various other directorships in companies such as Oman Refreshments, Port Services Corporation and United Power Company.

#### Mr. Wahbe Tamari - Deputy Chairman

Appointed Deputy Chairman in August 2016, Mr. Tamari is also currently Chairman of the Board of Arab Bank Switzerland Ltd., Arabia Insurance Company and Watamar & Partners SA, a company he founded in 2003 in Switzerland that offers family office and wealth management services to high net worth individuals. He leads numerous projects in financial services and real estate.

He is also an active member of the board of Arab Bank Plc, Consolidated Contractors Company, Solidere International, as well as a number of family companies. His career began at Merrill Lynch London in 1982; later he joined Sucafina SA, a company belonging to his family which he managed between 1988 and 2004. Sucafina SA has grown to be one of the leading coffee trading houses with nine sourcing operations in producing countries across Africa, Asia and South America.

Mr. Tamari is an active member of Young President Organization (YPO) having previously taken the lead of their Alpine Chapter and serves on a variety of philanthropic councils that mainly focus on the education of young people. He sits on the board of Lebanese International Finance Executives (LIFE), a Lebanese diaspora organisation aiming to channel the influence of Lebanese finance executives worldwide in order to establish stronger bonds, nurture the next generation and promote Lebanon. Mr. Tamari is also an advisor to the board of trustees of The Hassib Sabbagh foundation and sits on the Board of the Tamari Foundation whose mission is to be a catalyst for change through a variety of educational initiatives and projects focusing on human well-being within developing nations. Mr. Tamari resides in Geneva and was born in Beirut, Lebanon.

He is a graduate of Webster University Geneva with a BA in Management from Harvard Business School.

#### Ms. Randa Sadik - Board Member

A Board Member of OAB and Deputy Chief Executive Officer of Arab Bank since July 2010, Ms. Sadik has broad international banking experience of more than 30 years.

Ms. Sadik served as Group General Manager for International Banking Group-National Bank of Kuwait; Managing Director - National Bank of Kuwait (International) plc London. Ms. Sadik is also the Chairman of Arab Tunisian Bank in Tunis, Vice Chairman of Arab Bank Australia Ltd, Chairman of the Management Committee for Al-Arabi Investment Group. Ms. Sadik holds an MBA from the American University of Beirut (AUB).

#### Mr. Hani Al Zubair - Board Member

Mr. Hani Al Zubair has extensive knowledge and experience in financial, investment and business management areas. He is the Director of the Zubair Corporation, one of the leading private sector groups with business interests in diverse sectors such as Energy & Logistics, Engineering Construction & Contracting, Financial Services, Manufacturing, Real Estate & Hospitality and Automotive, and is the Chairman of Zubair Automotive Group.

He also holds the position of Chairman in Fund for Development of Youth Projects SAOC and is the Deputy Chairman of National Finance Company SAOG. He was the Chairman of OMINVEST and served on the Boards of Commercial Bank of Oman, Muscat Finance Company and FINCORP. He was nominated by the Government to represent the Private Sector on the Boards of Government-owned hotels and held the position for 5 years. He represented Oman Chamber of Commerce & Industry as a member of the team for meetings of the Indian Ocean Rim – Association for Regional Cooperation, and also served on the regional board of the Young Arab Leaders. Mr Hani Al Zubair

is a graduate of Richmond University, UK with bachelor's degrees in mathematical science and Computer Science.

#### Mr. Mulham Al-Jarf - Board Member

With a wealth of experience in legal, international business and finance. Mr. Mulham Al-Jarf is directly involved in achieving Oman Oil Company's (OOC) goals to pursue investment opportunities in the energy sector locally and internationally. As Deputy Chief Executive Officer since 2004, Mr. Mulham oversees the Group's Strategic Business Units (SBUs) and subsidiaries to support the diversification of the economy in Oman. Over the 15 years of his tenure, Mr. Mulham held roles including Legal Counsel and Head of Project and Structured Finance.

Prior to joining OOC, Mr. Mulham was Legal Officer at Oman Gas Company SAOC and Legal Researcher at Ministry of Oil and Gas from 1999 to 2001 with responsibilities including legal support to gas-based industries. He started his career in 1994 in the telecommunications sector as a Legal Researcher and Business Planning Officer with the General Telecommunications Company now 'Omantel'. Mr. Mulham is currently the Chairman of Sohar Aluminum Company LLC, Salalah Methanol Company LLC, Takatuf Oman LLC, and Oman Oil Exploration and Production LLC and OXEA S.a.r.l. He is the Vice Chairman of Oman Oil Marketing Company SAOG as well as a Director of Duqm Refinery and Petrochemical Industries Company LLC and Oman Oil Refineries and Petroleum Industries Company SAOC. Mr. Mulham holds a Bachelor of Business Administration from Marymount University, USA and a postgraduate diploma in law from The College of Law, UK. He is also a Barrister-at-Law of the Bar of England and Wales and a member of The Honorable Society of Gray's Inn, UK.

#### Mr. Abdulaziz Al Balushi - Board Member

Mr. Abdulaziz Mohammed Al Balushi is the Chief Executive Officer of OMINVEST which is the majority shareholder of OAB. Mr. Balushi is an experienced and professional banker with more than 28 years of experience in the banking industry and capital markets. He was the chief executive officer of Ahli bank SAOG from 2007 to 2013 and was primarily responsible in converting a single product mortgage bank into a full-fledged commercial bank.

During his tenure, Ahli bank won many prestigious awards including the best bank of Oman for three consecutive years by Oman Economic Review, the best bank in Oman 2012 by World Finance and the Bankers award 2013. In a career which has spanned over two decades, Mr. Balushi has held positions of increasing responsibility in all major areas of banking. He started his career with Oman International Bank and prior to joining Ahli bank, he was Deputy CEO of National Bank of Oman. Mr. Balushi holds a Master's of Science Degree in Finance from the University of Strathclyde (UK) and is a Fellow of the Chartered Institute of Bankers (UK). He has attended a host of Specialized Executive Management Development Programs at International Institutes of worldwide repute such as INSEAD; London and Strathclyde Business Schools. In November 2012, he was ranked as the "Second Best CEO in the Arab Banking World" by Forbes Magazine. Mr. Balushi has served on various Boards of companies across Oman including ONIC Holding, Al Ahlia Insurance Company, National Life Insurance, Oman Investment & Finance Company, Gulf Hotels Co. and as Advisory Board Member in the college of Agricultural and Marine Services at Sultan Qaboos University. He is currently the Chairman of Oman Electricity Transmission Company, a wholly government-owned entity. He is also a member "The British Scholarships of Oman", a local organisation that sponsors outstanding Omanis for post graduate studies in the U.K.

#### Mr. Walid Samhouri - Board Member

Mr. Samhouri is Executive Vice President – Jordan Country Head at Arab Bank. Mr. Samhouri has a vast banking experience for more than 31 years with Arab Bank where he worked in different geographies and handled various responsibilities in the Corporate and Institutional Banking, Credit, Banking Operations, Commercial and Trade Finance.

Mr. Samhouri is the Chairman of Arab Sudanese Bank-Sudan, and a board member of Arab Tunisian Bank, Tunisia. He was also a board member in Jordan Loan Guarantee Corporation, Jordan. Mr. Samhouri holds a Master's degree in Economics from the University of Jordan.

#### Mr. Imad Kamal Sultan - Board Member

Mr. Imad Kamal Sultan is the Vice Chairman & Deputy Managing Director of W. J. Towell & Co. LLC, a major diversified family-owned corporation, since 2002, and is currently the Chairman of Enhance Operating Companies, Fairtrade LLC, Al Marsa Fisheries LLC and Towell Engineering Services Co. LLC.

He also serves as a Director on the Boards of Towell Auto Centre LLC, Nestle Oman Trading LLC, General Electric & Trading Company LLC, Towell Properties, W. J. Towell Kuwait, National Hospitality Institute, Tharawat Family Business Forum and Oman India Joint Committee. He was also the former Director on the Boards of National Bank of Oman, Oman International Development & Investment Company SAOG. (OMINVEST) and Oman Tennis Association. Mr. Sultan holds a Bachelor of Science in Business Administration degree in Marketing from the American University in Washington DC, USA and has been a member of the Young Presidents Organization since 2005.

#### Ms. Nadya Talhouni - Board Member

Ms. Nadya Talhouni has been member of the OAB Board since July 2018. She is currently Head of Cash Management & Trade Finance at Arab Bank, having joined Arab Bank in 2002. Prior to joining Arab Bank, Ms. Talhouni spent nine years at Citibank N.A. working in various areas including regional business development, client coverage and relationship management, and securities and custody services. She is also currently a board member at Turkland Bank, Turkey. Ms. Talhouni has a Bachelor's Degree in Economics from Bryn Mawr College, PA, USA.

## 16.10 Senior Management

The day-to-day management of OAB's business is conducted by OAB's senior management.

The business address of each member of the senior management is North Al Ghoubra, P.O. Box 2240, Al-Athaiba, Postal Code 130, Muscat, Oman. No member of the senior management has any actual or potential conflict of interest between his duties to OAB and his or her private interests and/or duties.

As at the date of this Offer Document, the senior management of OAB comprised:

- i) Rashad Al Musafir – Chief Executive Officer;
- ii) Sulaiman Hamad Al Harthy – Deputy Chief Executive Officer
- iii) Dr. Khalifa Al Ghammari – Head of Al Yusr Islamic Banking
- iv) Al Salt Al Kharusi - Head of Corporate & Institutional Banking Group
- v) Rashad Al Shaikh – Acting Head of Retail Banking Group
- vi) Sulaiman Al Hinai - Head of Treasury, Investments & Government Relations
- vii) Daren Warner – Chief Financial Officer

- viii) Mansoor Al Raisi - Chief Compliance Officer
- ix) Lamees Al Baharna - Chief Risk Officer
- x) Mustafa Srouf - Chief Technology Officer
- xi) Asma Al Zadjali - Head of Banking Operations Group;
- xii) Kartik Natarajan - Head of Strategy
- xiii) Adil Al Rahbi - Head of Human Resources;
- xiv) Salah al Sharji - Head of Internal Audit Group
- xv) Abdullah Al Hooti - Head of Legal Affairs and Legal Advisor
- xvi) Hilal Al Siyabi - Head of Corporate Communication
- xvii) Faisal Al Balushi - Head of Corporate Support Services
- xviii) Leen Khattar Al Attasi - Head of Innovation
- xix) Ali Moosa - Head of Executive Office;

### 16.11 Biographies of Senior Management

#### Mr. Rashad Al Musafir - Chief Executive Officer

Since joining OAB in August 2016 as Deputy Chief Executive Officer, Mr. Al Musafir has played a leading role in transforming OAB's core operations and accelerating its growth potential by strengthening its balance sheet and reducing risk within the business, defining a strong strategic innovation roadmap, enhancing internal capabilities and building a high performance culture to improve customers' experience and shareholder value.

He was appointed acting Chief Executive Officer in February 2018 and his appointment to Chief Executive Officer was confirmed in October 2018.

Mr. Al Musafir has over twenty years of banking sector experience and knowledge in managing high-profile organisations in Oman. Before joining OAB, he was the Acting Chief Executive Officer of Bank Sohar, where he served for a period of nine years. During his tenure at Bank Sohar, he held various leadership positions, including Chief Financial Officer and Acting Head of Compliance. Prior to Bank Sohar, he held leadership roles with several other organisations including Al Madina Gulf Insurance Company, Oman International Bank and the Central Bank of Oman.

Mr. Al Musafir has been the Chairman of the National Aluminum Products Company (NAPCO) since March 2017. And had earlier been the Chairman of the Audit Committee of NAPCO between March 2014 and March 2017. He has also formerly served as a board member in the Oman Tennis Association and was a member of the Finance, Banking and Insurance Committee at the Oman Chamber of Commerce and Industry (OCCI).

Mr. Al Musafir holds a Bachelor of Arts Degree in Economics and a Bachelor of Science Degree in Finance from Boston University. He has also successfully completed the examinations for Certified Public Accountant (CPA) certifications from the State of Maine, and has completed various management programmes, including the General Management Program (GMP) from the Harvard Business School.

#### Sulaiman Hamad Al Harthy – Deputy Chief Executive Officer

Mr. Sulaiman Hamed Al Harthy has recently joined OAB as Deputy Chief Executive Officer. Prior to joining OAB he was working as the Group Chief Personal Banking Officer in Bank Muscat. He has over 30 years of banking experience, covering Retail, Corporate, Private Banking and Islamic Banking. He sits on the Board of Tatweer of SEZAD, a Board member of the Public Authority for

Industrial Estate, a Member of the Board of Trustees at Gulf College, He is also a Board Member of the HBS Club of the GCC and Chairman of Duqm Quarries SAOC.

Mr. Sulaiman holds an MBA Finance from University of Leicester and is an alumnus of the Oman Institute of Bankers, he has also attended Harvard Business School Advance Management Programme and Advanced Management Programme at INSEAD.

#### Dr. Khalifa Al Ghammari – Head of Al Yusr Islamic Banking

Dr. Al Ghammari was appointed General Manager of Al Yusr in 2017. An Omani National, Dr. Al Ghammari holds a Doctorate in Business Administration from the Binary University of Management and Entrepreneurship, Malaysia and has accumulated over 26 years of experience in the Banking Sector. Prior to joining OAB as the Head of Government Banking Services in 2016, Dr. Al Ghammari held a number of executive positions in several prominent Banks within the country. He has also gained significant experience in the Islamic banking sector having completed his DBA thesis in Islamic Banking and publishing research papers on Islamic Banking in international journals.

#### Mr. Al Salt Al Kharusi - Head of Corporate & Institutional Banking Group

Mr. Al Salt Al Kharusi has been the General Manager & Head of Corporate & Institutional Banking in OAB since 2015. After completing his degree in Business Administration Management & Information Systems at Oxford Brookes University, UK, he joined HSBC Bank Oman as Credit Officer in 2001, eventually becoming the Head of Corporate Banking in 2013. Al Salt also has an MBA degree from Strathclyde University, UK.

#### Mr. Rashad Al Shaikh - Acting Head of Retail Banking Group

Mr. Al Shaikh is the Acting Head of Retail Banking Group at OAB as of 15 January 2020 and has over 17 years of banking experience in various fields including Corporate Banking Project Finance, Investment Banking and Retail Banking. He has extensive experience in policy setting and well experienced in negotiating commercial agreements. He worked with a number of international banks on various mandates that have been concluded successfully in the area of advisory. Mr. Al Shaikh has a degree in Business Administration from University of Central Florida, Orlando, USA.

#### Mr. Sulaiman Al Hinai - Head of Treasury, Investments & Government Relations

Mr. Al Hinai was appointed as Head of Treasury, Investments & Government Relations in OAB in 2017. He is a treasury professional with regional expertise and experience spanning 23 years in commercial banking and treasury with various local and regional banks including, Doha Bank in Qatar, Oman International Bank and Ahli Bank SAOG, Oman. He earned a Banking Diploma in 2001 from the Arab Academy for Banking and Financial Sciences in Jordan.

#### Mr. Daren Warner - Chief Financial Officer

Mr. Warner joined the Senior Management of Oman Arab Bank in October 2018 and reports to the Chief Executive Officer. Mr. Warner, is a graduate of Stirling University having read Marketing with German; has completed his GMLP at Saïd Business School, University of Oxford and is a member of three professional bodies: he is a Fellow of the institute of Chartered Accountants of England & Wales (ICAEW), having articulated with KPMG in London, UK, an Associate of the Association of Corporate Treasurers (ACT) and a Chartered Fellow of the Chartered Institute of Securities and Investment (CISI). Daren has been a Board Member and Advisor to the ICAEW in the GCC since 2009.

Mr. Warner has a proven track record in Finance, Treasury sales, M&A, Risk Management and Audit with over 30 years' experience in Banking and Financial Services spanning Audit, Corporate Finance,

Risk, Strategy, Business Finance, Global Markets Sales, Treasury, Wholesale, FI Sales and latterly CFO positions.

Previous and current roles have also required being an agent of change, managing people within a culturally diverse environment and empowering people to develop their strengths and deliver their best performance.

Based in the UK until 2004, he has undertaken work in UK and Europe and across the Americas, Asia, Africa and the Middle East with both international and local financial institutions including: Barclays de Zoete Wedd, Standard Bank (London) Ltd, Standard Chartered Bank and International Bank of Qatar (IBQ). Specifically, he has lived in UK, Botswana, UAE, Bahrain, Qatar and Oman providing Treasury and Corporate Banking solutions to clients as well as driving businesses as a CFO as part a member of the executive committees or accountable executive.

#### Mr. Mansoor Al Raisi - Chief Compliance Officer

Mr. Al Raisi started his career at the CBO as a Bank Examiner Staff in 1988. He then went on to become a Manager of the Banking Supervision Department in 1996 and thereafter Senior Manager, Banking Examination Department.

Mr. Al Raisi then joined National Bank of Oman and was appointed to Deputy General Manager, Compliance in 2008 where he held the position until his move to OAB in 2015. He earned a BA in Business Administration from Rollins College, Florida, USA and currently holds a Masters' Degree in Development Banking from The American University, Washington D.C., USA.

#### Ms. Lamees Al Baharna - Chief Risk Officer

Ms. Al Baharna is a Chartered Financial Analyst (CFA) and a member of the CFA institute since 1996. She is also a certified Financial Risk Manager (FRM) and a member of the Global Association of Risk Professionals since 2010.

Ms. Al Baharna is currently the Chief Risk Officer at OAB, a position she has held since 2015. She is a seasoned risk management professional with over 25 years of experience in the financial industries sector. She has a varied experience that spans both the private and public sectors. Her areas of expertise include; financial analysis, valuation, risk framework and polices development, risk systems implementation, internal audit, compliance and corporate governance.

Prior to commencing at OAB Ms. Al Baharna was Head of Risk Management at Mumtalakat, the Sovereign Wealth Fund of Bahrain where she was responsible for the setup and implementation of its risk management framework. Prior to that, she worked in various roles within the Credit Group at Gulf International Bank in Bahrain.

#### Mr. Mustafa Srour - Chief Technology Officer

Mr. Srour holds a Diploma in Programming & System Analysis from Al Khawarizmi International College in Amman, Jordan. Mr. Srour has over 34 years' experience in Information Technology related Business. He began his career in the IT department of Arab Bank PLC, Jordan in 1984 until 2000. He then transferred in 2000 and began his career in OAB eventually becoming the Chief Technology Officer.

#### Ms. Asma Al Zadjali - Head of Banking Operations Group

Ms. Al Zadjali was appointed Head of Banking Operations Group in May 2019. Holding a master's in Business Administration from the University of Strathclyde, Ms. Al Zadjali has over 19 years of experience working in large companies and banks. In her time at OAB, she has been instrumental in the centralisation of Retail Banking, Corporate Banking and Islamic Finance Credit Administration; thereby ensuring asset quality and bringing in the necessary changes to establish better control and improving the turnaround times. She has also led the remedial, recovery and legal department teams, improving collection processes. Furthermore, she recently graduated from the National CEO Programme (NCP) in May 2018 as the only candidate from the banking sector and was one of only three female candidates to have passed the stringent entry criteria for the programme.

#### Mr. Kartik Natarajan - Head of Strategy

Mr. Natarajan is the Head of Strategy since October 2018. He was formerly the Chief Financial Officer in OAB since 2005.

Mr. Natarajan is a finance professional with over 23 years of experience in banking with expertise in planning and finance. Mr. Natarajan previously served as Senior Manager in the Financial Control Division in National Bank of Oman from 1996-2005.

He is an Associate of Institute of Chartered Accountants of India and an Associate Cost Accountant in Institute of Cost Accountants of India. He is a graduate in Commerce from Loyola College, India and is a certified member of Information Systems Audit and Control Association, USA.

#### Mr. Adil Al Rahbi - Head of Human Resources

Mr. Al Rahbi is the current Chief People Officer and Head of Human Resources. He began his career as Head of Training for the Coast Guard Police Headquarters in Oman from 1990 to 2006 while simultaneously continuing his studies. Adil currently holds an MSc in Human Resource Management and Training from the University of Leicester, UK.

He has held multiple positions in various institutions throughout his career including Administrative Services Manager at G4S Security Services, Qatar, Organisational Development Manager and manages Group Employee Relations at The Zubair Corporation, he also served as a Public Affairs Advisor to the U.S. Embassy in Muscat.

Mr. Al Rahbi joined OAB in 2010 as the Head of Employee & Organisation Development becoming Head of Employee Relations in 2015. He was appointed as Head of Human Resources in 2017.

#### Mr. Salah al Sharji - Head of Internal Audit Group

Mr. Al Sharji has been the Head of Internal Audit Group at OAB since June 2016. He started his career at KPMG, Oman in 2005. He has held multiple positions at Bank Muscat, and was hired as a Senior Manager and Deputy Head of Internal Audit to HSBC, Oman in 2014.

He holds a bachelor's degree in Accounting and Finance from Stamford College Berhad, Malaysia and is a Certified Internal Auditor (CIA), Certified Risk Management Assurance (CRMA), and a Certified Fraud Examiner (CFE).

Mr. Abdullah Al Hooti - Head of Legal Affairs and Legal Advisor

Mr. Al Hooti has served as General Counsel at OAB since April 2016, and was Deputy General Manager of Legal Affairs since 1998. After graduating from Mohammed V University in Kingdom of Morocco in 1983, he became a lecturer in Law and Management & the Head of the Local Administration Department at Institute of Public Administration in Oman while simultaneously acting as Lawyer and Legal Advisor at the Omani Center for Advocacy and Legal Consultancy.

Mr. Al Hooti was previously a Legal Advisor for Gulf Air, Bahrain and is a founding member of the Omani Lawyers Association. He currently holds a Masters' degree from Seattle University, Washington State, USA. He has been practicing law for over 30 years and has participated in numerous workshops, training courses and programmes locally and abroad focusing on his field of expertise.

Mr. Hilal Al Siyabi - Head of Corporate Communication

Mr. Al Siyabi has been Head of Corporate Communication at OAB since 2017.

He previously served as International Relations and Media Manager at the Telecommunications Regulatory Body in Oman. Prior to this position, he was the Head of Corporate Communication at the Zubair Corporation. From 2006 to 2008, he was the Programme Manager for U.S. Department of State's Middle East Partnership Initiative (MEPI) Partnership Schools Program in collaboration with the Government of Oman. He headed the Human Resources and ICT Department at Al Sulaimi Group of companies during 2004 to 2006. He has also worked with the American Embassy in Muscat as a director of the Information Resources Center,

Mr. Al Siyabi has completed his first academic degree from Ohio State University, USA, in Environmental Science with specialisation in water quality. He also holds a Masters' degree in public policy and management with concentration in Information Systems from Carnegie Mellon University, USA.

Faisal Al Balushi - Head of Corporate Support Services

Mr. Al Balushi has been the Head of Corporate Support Services since 2014. He was previously the Head of Safety and Security Department from 2008 to 2014. Prior to this, he was a Senior Executive Officer and the Security in-charge at the Embassy of Sultanate of Oman in Washington D.C, USA.

Mr. Al Balushi has a Bachelor's Degree in Geography earned from the Beirut Arab University, Lebanon.

Ms. Leen Khattar Al Attasi - Head of Innovation

Ms. Al Attasi is the Head of Innovation at OAB. Ms. Al Attasi is leading all internal innovation activities at OAB as well as external Fintech partnerships, to bring new solutions to the industry and facilitate the development of an innovation eco-system for entrepreneurship in Oman. Her mandate is to position OAB as the leading innovative bank in Oman.

Ms. Al Attasi joined OAB in September 2018 to lead OAB's innovation strategy and initiatives across all business lines and to foster a solid innovation culture along with a programme that will enable OAB to deliver a consistently superior customer experience. Since joining OAB, she has introduced the bank's first and the industry's biggest innovation platform: 'The Innovation Hub' hackathon for students, Fintech companies and OAB's employees, with over 320 participants developing innovative prototypes. In addition to this, she has also introduced a first-of-its-kind Innovation Lab

in Oman that will include a unique six-month internship programme for students that is specifically geared to accelerate innovation through collaboration.

With a career spanning over 13 years in the banking industry, Ms. Al Atassi spent four years at National Bank of Oman, where she was Head of Corporate Communications, Change Management and CSR. Prior to this, Ms. Al Atassi worked at HSBC Bank Oman for eight years, serving in different roles in Human Resources, Corporate Communications, Marketing and CSR, where she spearheaded the communications strategy for OAB prior to and during the merger and integration between Oman International Bank and HSBC Bank Middle East - Oman.

Ms. Al Atassi holds a Professional Certificate in Innovation and Strategy from the Harvard Extension School, an MBA from the University of Strathclyde, and a Bachelor of Arts in Psychology with a minor in Communications from the American University of Beirut.

#### Mr. Ali Moosa - Head of Executive Office

Mr. Moosa joined OAB following his BA in Public Administration from The Jordanian University, Jordan in 1988. He held multiple positions in the HR Department until he became Head of Human Resource and Administration Group in 2010. In August 2017 he was appointed as the Head of Executive Office.

Mr. Moosa was previously a member of the Omanisation and Training Committee in Oman Chamber of Commerce and a member of a committee for revising and modernizing staff compensation scales in College of Banking and Institute. Additionally, he was a Board member at Al Khaleejia Polypropylene and Member of its Audit Committee (April 2002 - November 2005).

## 16.12 Employees

As at 31 December 2019, OAB had 1,241 employees, compared to 1,190 as at 31 December 2018 and 1,172 as at 31 December 2017.

As noted above, OAB has embarked on a number of training and employee development programmes. In particular, in February 2019, OAB announced the names for its third iteration of the LEAD Programme which is a personalised training platform designed to up-skill the new Omani generation to develop and instil real-life learning situations throughout the LEAD journey. LEAD is a programme that focuses on key elements, namely developing interpersonal skills, as well as developing the candidate's ability to co-ordinate, motivate and shape a team. This involves taking already high-performing, talented individuals and shaping them into future leaders of the banking sector.

LEAD 3 highlights the importance of Artificial Intelligence (AI) and how it is applied in the banking sector. Apart from the scheduled modular sessions, LEAD delegates will be exposed to practical training as part of post LEAD activities, including managing projects of their choice.

As at 31 December 2019, Oman nationals accounted for approximately 95.81 per cent of OAB's employees and throughout 2019, OAB has launched a number of Omanisation initiatives including a recruitment drive focused on young Omani nationals graduating in the IT sector.

### 16.13 Corporate Governance Post Takeover / Post OAB Listing

OAB has initiated various steps to comply with the regulatory requirements as applicable to a public listed company. As per the provisions of Article 117 of the Commercial Companies Law, OAB will be updating its internal management and control policies and procedures, within the next 12 months to bring them in line with the requirements for an SAOG company.

At an EGM of OAB held on 15<sup>th</sup> June, 2020, subject to and with effect of the OAB Listing, the shareholders of OAB approved the amendments to the articles of association of OAB to bring them in line with the requirements of SAOGs.

### 16.14 Management of AIB

An integration committee has been formed to oversee the transition of AIB business and inclusion of Al Yusr business in its operations.

## 17. DIVIDENDS

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The Consideration Shares will rank equally with all other shares of OAB in respect of any dividends that may be declared and paid relating to the Financial Year ending in December 2020 and any subsequent Financial Years. Following the Offer, the shareholder register of OAB maintained by the MCDC will be updated to enable the OAB SAOG shareholders to receive future dividends declared.

In accordance with Article 132 of the Companies Law, 10 per cent of OAB's net profit for the year is to be transferred to a non-distributable legal reserve until such time as the amount of the legal reserve becomes equal to one third of OAB's issued and fully paid-up share capital.

Further, in accordance with Banking Law, OAB will seek CBO approval for any dividends to be paid to the shareholders.

As on 31 March 2020, OAB's issued and paid up share capital was RO 134.62 million and will increase following issue of new shares towards Consideration Shares and Trust shares swap.

### 17.1 Dividend Policy

OAB's dividend policy complies with the CBO's guidance and adopted to achieve the following:

1. Establish provisions that support the Bank's financial position.
2. Retain sufficient capital reserves that support the future growth of the Bank operations.
3. Pay cash dividends to the shareholders appropriate to their investment.

### 17.2 Dividend Restriction as per RO 30 million and RO 42.55 million AT1 Perpetual Bonds

OAB's first issue of RO 30 million AT1 Perpetual Bonds is denominated in Omani Rial and are listed on the MSM. The bonds have no redemption date and interest is payable half yearly in June and December of every year.

OAB's second issue of RO 42.5 million AT1 Perpetual Bonds is denominated in Omani Rial and are listed on the MSM. The bonds have no redemption date and interest is payable half yearly in April and October of every year.

Under the terms of issue of these bonds:

If any interest payment amount is not paid as a consequence of a Non-Payment Event or a Non-Payment Election (as the case may be and defined in the relevant instrument), then, from the date of such Non-Payment Event or Non-Payment Election (the "Dividend Stopper Date"), OAB will not, so long as any of the Bonds are outstanding:

- (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, the ordinary shares of OAB (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
- (b) pay interest, profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities, ranking, as to the right of payment of dividend, distributions or similar payments, junior to or pari passu with the obligations (excluding securities the terms of which do not at the relevant time enable OAB to defer or otherwise not to make such

payment), only to the extent such restriction on payment or distribution is permitted under the Applicable Regulatory Capital Requirements; or

- (c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire the ordinary shares of OAB; or
- (d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by OAB ranking, as to the right of repayment of capital, junior to or pari passu with the obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the Applicable Regulatory Capital Requirements,

in each case unless or until one interest payment amount following the Dividend Stopper Date has been paid in full.

#### 17.2.1 Non-payment event

If any of the following events occurs (each, a "Non-Payment Event"), Interest Payment Amounts ("Interest payment related to the Bonds") shall not be paid on any Interest Payment Date:

- (a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by OAB on any Pari Passu Obligations, having the same dates in respect of payment of such distributions or amounts as, or otherwise due and payable on, the dates for payment of Interest Payment Amounts, exceed, on the relevant date for payment of such Interest Payment Amounts, Distributable Items;
- (b) OAB is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of capital buffers imposed on OAB by the Regulator) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof;
- (c) the Regulator requires that the Interest Payment Amount due on that Interest Payment Date shall not be paid.

#### 17.2.2 Non-payment election

OAB may in its sole discretion elect that Interest Payment Amounts shall not be paid to holders of the Bonds on any Interest Payment Date (each a "Non-Payment Election").

## 18. SELECTED FINANCIAL INFORMATION

The following financial information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and the related notes thereto and the other information available on OAB's website, <http://www.oman-arabbank.com/home/about-us/financial-statements/>.

The following tables set forth selected information extracted from, in respect of the financial information as at and for the year ended 31 December 2017, from OAB's the 2018 Financial Statements, and, in respect of the financial information as at and for the years ended 31 December 2018 and 31 December 2019, from the 2019 Financial Statements.

### 18.1 Statement of Financial Position Data

|   | As at 31 December |                  |                  |
|---|-------------------|------------------|------------------|
|   | 2019              | 2018             | 2017             |
|   |                   | RO'000           |                  |
| <b>ASSETS</b>   |                   |                  |                  |
| Cash and balances with the CBO                                | 179,664           | 194,801          | 161,987          |
| Due from banks  | 50,802            | 91,272           | 108,868          |
| Loans & advances and financing to customers                   | 2,006,330         | 1,832,817        | 1,654,013        |
| Investment securities   | 165,422           | 131,176          | 138,421          |
| Property and equipment  | 39,725            | 30,245           | 29,430           |
| Other assets  | 55,186            | 48,507           | 46,280           |
| <b>Total assets</b>   | <b>2,497,129</b>  | <b>2,328,818</b> | <b>2,138,999</b> |
| <b>LIABILITIES</b>  |                   |                  |                  |
| Due to banks  | 31,465            | 15,207           | 4,011            |
| Deposits from customers                                       | 1,998,436         | 1,870,558        | 1,746,856        |
| Other liabilities   | 71,698            | 60,241           | 57,693           |
| Subordinated debt   | 20,000            | 20,000           | 20,000           |
| Taxation  | 6,687             | 5,936            | 4,891            |
| <b>Total liabilities</b>                                      | <b>2,128,286</b>  | <b>1,971,942</b> | <b>1,833,451</b> |
| <b>EQUITY</b>   |                   |                  |                  |
| Share capital   | 134,620           | 134,620          | 134,620          |
| Legal reserve   | 44,746            | 41,490           | 38,476           |
| General reserve   | 25,560            | 25,560           | 25,560           |
| Subordinated debt reserve                                     | 16,000            | 12,000           | 8,000            |
| Special reserve   | 3,915             | 3,915            | 2,760            |
| Fair value reserve  | -1,951            | -2,059           | -1,845           |
| Impairment reserve  | 9,130             | -                | -                |
| Retained earnings   | 64,270            | 68,797           | 67,977           |
| <b>Total equity attributable to the equity holders of OAB</b> | <b>296,290</b>    | <b>284,323</b>   | <b>275,548</b>   |
| Perpetual Tier 1 capital bonds                                | 72,553            | 72,553           | 30,000           |
| <b>Total equity</b>   | <b>368,843</b>    | <b>356,876</b>   | <b>305,548</b>   |
| <b>Total equity and liabilities</b>                           | <b>2,497,129</b>  | <b>2,328,818</b> | <b>2,138,999</b> |
| <b>Contingent liabilities and commitments</b>                 | <b>720,029</b>    | <b>785,370</b>   | <b>897,448</b>   |

## 18.2 Statement of Comprehensive Income Data

|  | For the year ended 31 December |               |                |
|--|--------------------------------|---------------|----------------|
|  | 2019                           | 2018          | 2017           |
|  | <i>RO '000</i>                 |               |                |
| Interest income  | 113,925                        | 100,584       | 88,115         |
| Interest expense   | (41,640)                       | (34,061)      | (32,516)       |
| <b>Net interest income</b>   | <b>72,285</b>                  | <b>66,523</b> | <b>55,599</b>  |
| Net fee and commission income  | 14,135                         | 14,738        | 14,393         |
| Net investment income  | 77                             | 101           | 1,140          |
| Other operating income   | 6,465                          | 6,282         | 6,606          |
| <b>Total income</b>  | <b>92,962</b>                  | <b>87,644</b> | <b>77,738</b>  |
| Operating expenses   | (48,665)                       | (46,960)      | (45,403)       |
| Allowances for credit losses - customer loans  | (13,795)                       | (11,142)      | (8,276)        |
| Recoveries/release from allowance for credit losses  | 8,317                          | 6,269         | 8,132          |
| Credit loss / impairment on investment securities  | (55)                           | (9)           | (728)          |
| <b>Profit before tax</b>   | <b>38,764</b>                  | <b>35,802</b> | <b>31,463</b>  |
| Income tax expense   | (6,208)                        | (5,662)       | (4,916)        |
| <b>Profit for the year</b>   | <b>32,556</b>                  | <b>30,140</b> | <b>26,547</b>  |
| <b>Other comprehensive expense:</b>  |                                |               |                |
| <i>Items that will not be reclassified to profit or loss in the subsequent periods (net of tax):</i> |                                |               |                |
| Revaluation loss on equity instruments at fair value through other comprehensive income (FVOCI)      | 108                            | (681)         | -              |
| <i>Items that may be reclassified to profit or loss in subsequent periods (net of tax):</i>          |                                |               |                |
| Net movement on AFS investments  | -                              | -             | (1,773)        |
| <b>Other comprehensive expense for the year</b>  | <b>108</b>                     | <b>(681)</b>  | <b>(1,773)</b> |
| <b>Total comprehensive income for the year</b>   | <b>32,664</b>                  | <b>29,459</b> | <b>24,774</b>  |
| <b>Earnings per share:</b>   |                                |               |                |
| Basic and diluted  | 0.020                          | 0.020         | 0.018          |

## 18.3 Statement of Cash Flows Data

|  | For the year ended 31 December |                 |                 |
|--|--------------------------------|-----------------|-----------------|
|  | 2019                           | 2018            | 2017            |
|  | <i>RO'000</i>                  |                 |                 |
| <b>Operating activities</b>  |                                |                 |                 |
| Profit before tax  | 38,764                         | 35,802          | 31,463          |
| Adjustments:   |                                |                 |                 |
| Depreciation   | 5,812                          | 4,052           | 3,680           |
| Impairment of credit losses  | 13,979                         | 11,142          | 8,276           |
| Recoveries/release from impairment for credit losses                           | (8,317)                        | (6,269)         | (8,132)         |
| Net impairment on due from banks   | (184)                          | 46              | -               |
| Allowance for impairment on Amortised Cost Securities                          | 55                             | 9               | 728             |
| Income from held to collect / held-to-maturity investments                     | (6,861)                        | (4,895)         | (2,211)         |
| Dividend Income  | (189)                          | (346)           | (648)           |
| Loss on sale of property and equipment   | 31                             | 9               | -               |
| Interest on subordinated debt..  | 1,100                          | 1,100           | 2,087           |
| Change in fair value of financial. assets at fair value through profit or loss | 112                            | 245             | 3               |
| Operating profit before working capital changes                                | 44,302                         | 40,895          | 35,246          |
| Loans and advances and financing to customers                                  | (179,373)                      | (187,273)       | (59,357)        |
| Due from banks   | -                              | (2,000)         | (18,000)        |
| Other assets   | (6,680)                        | (2,226)         | (879)           |
| Deposits from customers  | 127,878                        | 123,701         | 109,704         |
| Other liabilities  | 3,999                          | 2,548           | (1,810)         |
| Cash (used in) / from operations   | <b>(9,874)</b>                 | <b>(24,355)</b> | <b>64,904</b>   |
| Tax paid   | (6,244)                        | (4,376)         | (4,187)         |
| <b>Net cash (used in) / from operating activities</b>                          | <b>(16,118)</b>                | <b>(28,731)</b> | <b>60,717</b>   |
| <b>Investing activities</b>  |                                |                 |                 |
| Held-to-maturity investments matured   | 20,900                         | 126,102         | 326,560         |
| Purchase of held-to-maturity investments                                       | (56,634)                       | (123,629)       | (354,484)       |
| Purchase of investments FVOCI / available-for-sale                             | (216)                          | (113)           | (17,037)        |
| Financial assets at fair value through profit or loss                          | -                              | 38              | 9               |
| Proceeds from sale of investment securities                                    | 1,307                          | 3,911           | 17,962          |
| Income from maturity of held-to-maturity investments                           | 6,861                          | 4,895           | 2,211           |
| Purchase of property and equipment   | (6,759)                        | (4,877)         | (4,460)         |
| Proceeds from the sale of property and equipment                               | 47                             | 1               | -               |
| Dividend income  | 189                            | 346             | 648             |
| <b>Net cash (used in) / from investing activities</b>                          | <b>(34,305)</b>                | <b>6,674</b>    | <b>(28,591)</b> |
| <b>Financing activities</b>  |                                |                 |                 |
| Proceeds from issuance of Perpetual Tier 1 capital bonds                       | -                              | 42,553          | -               |
| Repayment of subordinated debt   | -                              | -               | (50,000)        |
| Interest on subordinated debt  | (1,100)                        | (1,100)         | (2,087)         |
| Interest on Perpetual Tier 1 capital bonds                                     | (5,534)                        | (2,325)         | (2,325)         |
| Issue expenses of Perpetual Tier 1 capital bonds                               | -                              | (241)           | -               |
| Dividends paid   | (14,808)                       | (14,808)        | -               |
| Net cash (used in) / from financing activities                                 | (21,442)                       | 24,079          | (54,412)        |
| <b>Net (decrease) / increase in cash and cash equivalents</b>                  | <b>(71,865)</b>                | <b>2,022</b>    | <b>(22,286)</b> |
| Cash and cash equivalents at the beginning of the year                         | 250,366                        | 248,344         | 270,630         |
| <b>Cash and cash equivalents at the end of the year</b>                        | <b>178,501</b>                 | <b>250,366</b>  | <b>248,344</b>  |

## 18.4 Selected Financial Ratios

|  | As at / for the year ended 31 December |       |       |
|--|--|-------|-------|
|  | 2019                                   | 2018  | 2017  |
|  |  | %     |       |
| <b>Profitability</b>                                 |  |       |       |
| Return on shareholders' funds <sup>(1)</sup>         | 11.21                                  | 10.77 | 10.18 |
| Return on total assets <sup>(2)</sup>                | 1.35                                   | 1.35  | 1.26  |
| Cost to income <sup>(3)</sup>                        | 52.35                                  | 53.58 | 58.41 |
| <b>Capital</b>                                       |  |       |       |
| Capital adequacy ratio <sup>(4)</sup>                | 15.20                                  | 16.54 | 15.69 |
| Shareholders' funds to total assets <sup>(5)</sup>   | 11.87                                  | 12.21 | 12.88 |
| <b>Asset Quality</b>                                 |  |       |       |
| Gross NPL Ratio <sup>(6)</sup>                       | 3.59                                   | 2.73  | 2.95  |
| Net NPL (CBO) Ratio <sup>(7)</sup>                   | 2.11                                   | 1.54  | 1.29  |
| Net NPL (IFRS 9) Ratio <sup>(8)(14)</sup>            | 2.40                                   | 1.89  | N/A   |
| Provision coverage <sup>(9)</sup>                    | 2.60                                   | 2.92  | 2.96  |
| <b>Liquidity</b>                                     |  |       |       |
| Net financings to customers deposits <sup>(10)</sup> | 100.40                                 | 97.98 | 94.69 |
| Net financings to total assets <sup>(11)</sup>       | 80.35                                  | 78.70 | 77.33 |
| Liquid assets to customer deposits <sup>(12)</sup>   | 18.90                                  | 21.70 | 22.60 |

### Notes:

- (1) Profit for the year divided by the average <sup>(13)</sup> total equity attributable to the equity holders of OAB.
- (2) Profit for the year divided by average <sup>(13)</sup> total assets.
- (3) Operating expenses for the year divided by total income for the year.
- (4) Calculated in accordance with CBO regulations, as presented in the Financial Statements.
- (5) Total equity attributable to the equity holders of OAB as at the relevant date divided by total assets as at the relevant date.
- (6) Calculated in accordance with CBO regulations and IFRS 9 (for the years ended 31 December 2019 and 31 December 2018) <sup>(14)</sup>, as presented in the Financial Statements.
- (7) Calculated in accordance with CBO regulations, as presented in the Financial Statements <sup>(15)</sup>.
- (8) Calculated in accordance with IFRS 9, as presented in the 2019 Financial Statements.
- (9) Total allowance for loan impairment and contractual interest not recognised as at the relevant date divided by gross loans, advances and financing to customers as at the relevant date.
- (10) Net loans, advances and financing to customers as at the relevant date divided by deposits from customers as at the relevant date.
- (11) Net loans, advances and financing to customers as at the relevant date divided by total assets as at the relevant date.
- (12) Cash, balances with CBO, due from banks, GDBs, Government sukuk and Treasury-Bills divided by customer deposits as at the relevant date.
- (13) The average is calculated as the arithmetic mean of the opening balance and the closing balance.
- (14) IFRS 9 was effective from 1 January 2018, hence ratio related to IFRS 9 prior to 2018 are not available.
- (15) The definition and method of calculation of above selected financial ratio, unless specifically defined, are disclosed in the Presentation of Alternative Performance Measure.

## 18.5 Financial Statements – 31 March 2020

### Condensed Interim Statement of Financial Position

|  | <i>31-Mar-20</i> | <i>31-Mar-19</i> |
|--|------------------|------------------|
|  | <i>RO 000</i>    | <i>RO 000</i>    |
| <b>Assets</b>  |                  |                  |
| Cash and balances with Central Bank of Oman                        | 125,627          | 165,006          |
| Due from banks   | 155,140          | 79,930           |
| Loans, advances and financing activities for customers             | 2,019,355        | 1,920,882        |
| Investments in securities  | 173,283          | 138,886          |
| Other assets   | 56,342           | 48,294           |
| Property and equipment   | 39,743           | 40,691           |
| <b>Total assets</b>  | <b>2,569,490</b> | <b>2,393,689</b> |
| <b>Liabilities</b>   |                  |                  |
| Due to banks   | 87,553           | 63,993           |
| Customers' deposits  | 2,027,196        | 1,887,420        |
| Other liabilities  | 72,539           | 71,239           |
| Subordinated debt  | 20,000           | 20,000           |
| Taxation   | 2,730            | 2,027            |
| <b>Total liabilities</b>   | <b>2,210,018</b> | <b>2,044,679</b> |
| <b>Equity</b>  |                  |                  |
| Share capital  | 134,620          | 134,620          |
| Legal reserve  | 44,746           | 41,490           |
| General reserve  | 25,560           | 25,560           |
| Impairment reserve   | 9,130            | -                |
| Other non-distributable reserves                                   | 19,915           | 15,915           |
| Retained earnings  | 54,921           | 60,633           |
| Cumulative changes in fair value of investments                    | (1,973)          | (1,761)          |
| <b>Total equity attributable to the equity holders of the Bank</b> | <b>286,919</b>   | <b>276,457</b>   |
| Tier 1 perpetual bond  | 72,553           | 72,553           |
| <b>Total equity</b>  | <b>359,472</b>   | <b>349,010</b>   |
| <b>Total liabilities and shareholders' funds</b>                   | <b>2,569,490</b> | <b>2,393,689</b> |
| <b>Contingent liabilities</b>                                      | <b>783,221</b>   | <b>804,902</b>   |

### Condensed Interim Statement of Comprehensive Income

|  | <i>31-Mar</i>   | <i>31-Mar</i>   |
|--|-----------------|-----------------|
|  | <i>2020</i>     | <i>2019</i>     |
|  | <i>RO'000</i>   | <i>RO'000</i>   |
| Interest income  | 30,131          | 26,829          |
| Interest expense   | (10,988)        | (9,646)         |
| <b>Net interest income</b>                                     | <b>19,143</b>   | <b>17,183</b>   |
| Income from Islamic financing                                  | 937             | 805             |
| <b>Net interest income and income from Islamic financing</b>   | <b>20,080</b>   | <b>17,988</b>   |
| Other operating income   | 4,459           | 5,182           |
| <b>Operating income</b>  | <b>24,539</b>   | <b>23,170</b>   |
| Staff costs  | (7,961)         | (7,701)         |
| Other operating expenses                                       | (4,071)         | (3,386)         |
| Depreciation   | (1,561)         | (1,539)         |
| <b>Operating expenses</b>                                      | <b>(13,593)</b> | <b>(12,626)</b> |
| <b>Profit from operations before impairment losses and tax</b> | <b>10,946</b>   | <b>10,544</b>   |
| Impairment on financial assets                                 | (4,976)         | (4,789)         |
| Recoveries and releases from provision for credit losses       | 1,327           | 2,692           |
| Impairment on due from banks                                   | (288)           | 176             |
| <b>Total impairment losses (net)</b>                           | <b>(3,937)</b>  | <b>(1,921)</b>  |
| <b>Profit before tax</b>                                       | <b>7,009</b>    | <b>8,623</b>    |

|  | <b>31-Mar</b>  | <b>31-Mar</b>  |
|--|----------------|----------------|
| Taxation   | <b>(1,351)</b> | <b>(1,378)</b> |
| <b>Net profit for the period</b>                             | <b>5,658</b>   | <b>7,245</b>   |
| <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>   | <b>7,543</b>   |
| Basic and diluted earnings per share:                        |                |                |
| - for the period (RO)  | <b>0.004</b>   | 0.005          |
| - annualised (RO)  | <b>0.017</b>   | 0.022          |

### Condensed Interim Statement of Cash Flow

|  | <b>31-Mar</b>   | <b>31-Mar</b>   |
|--|-----------------|-----------------|
|  | <b>2020</b>     | <b>2019</b>     |
|  | <b>RO'000</b>   | <b>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   | (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>  |



## 19. RELATED PARTIES TRANSACTION

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### 19.1 Management service agreement with a shareholder

OAB has a management service agreement with Arab Bank, a shareholder. During 2019, the management fees in accordance with the agreement amounted to RO 97,671 (compared to RO 90,420 for 2018 and RO 79,641 for 2017).

There is no change anticipated as of now in the management service agreement with Arab Bank.

### 19.2 Other related parties' transactions

In the ordinary course of business, OAB conducts transactions with certain of the OAB Directors and / or shareholders and companies over which they can exert significant influence. All related party transactions outside of the ordinary course of business must be approved by the shareholders of OAB.

The aggregate amounts of balances with such related parties are as follows:

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| Related Party Transactions                   | Major         | Others | Total   |
|--|---------------|--------|---------|
|  | shareholders  |        |         |
|  | <i>RO'000</i> |        |         |
| <b>2019</b>                                  |               |        |         |
| Loans and advances                           | -             | 76,431 | 76,431  |
| Interest and other receivable                | 5,640         | -      | 5,640   |
| Customers' deposits                          | 4,277         | 46,135 | 50,412  |
| Due from banks                               | 15,836        | -      | 15,836  |
| Due to banks                                 | 1,434         | -      | 1,434   |
| Stand by line of credit                      | 38,500        | -      | 38,500  |
| Letters of credit, guarantees and acceptance | 136,786       | 4,800  | 141,586 |
| <b>2018</b>                                  |               |        |         |
| Loans and advances                           | 6,004         | 60,888 | 66,892  |
| Customers' deposits                          | 1,624         | 32,375 | 33,999  |
| Due from banks                               | 33,460        | -      | 33,460  |
| Due to banks                                 | 878           | -      | 878     |
| Stand by line of credit                      | 48,125        | -      | 48,125  |
| Letters of credit, guarantees and acceptance | 155,661       | 3,615  | 159,276 |
| <b>2017</b>                                  |               |        |         |
| Loans and advances                           | 11,500        | 56,007 | 67,507  |
| Customers' deposits                          | 619           | 22,566 | 23,185  |
| Due from banks                               | 35,725        | -      | 35,725  |
| Due to banks                                 | 1,538         | -      | 1,538   |
| Stand by line of credit                      | 48,125        | -      | 48,125  |
| Letters of credit, guarantees and acceptance | 153,179       | 16,090 | 169,269 |

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None of the loans and advances and financing given to related parties were identified as impaired and no provision for NPLs was recognised for the years ended 31 December 2019, 2018 or 2017.

Directors' remuneration and the remuneration of other members of key management during the years ended 31 December 2019, 2018 and 2017 were as follows:

| For the year ended 31 December         | 2019          | 2018 | 2017  |
|--|---------------|------|-------|
|  | <i>RO'000</i> |      |       |
| Directors' remuneration                | 79            | 177  | 134   |
| Salaries and other short-term benefits | 1,287         | 923  | 1,261 |
| End of service benefits                | 39            | 26   | 174   |

### 19.3 Trust Arrangement / Agreements with shareholders

OMINVEST and Arab Bank have set up the Trust with the following features:

- a. To act in concert with the Offeror for the Takeover.
- b. Have a single purpose objective to acquire shares of AIB: Up to 24.99 per cent of shareholding of AIB ("Share Block")
- c. Immediately after the cash acquisition of the AIB shares as per this Offer Document, the Trust will swap these shares for new shares to be issued by OAB on the same FSSR.
- d. The Trust has the following restrictions (set out in the Trust Agreement):
  1. The Trust will not exercise voting rights in respect of the OAB shares held by it, i.e. the Trustee will abstain from voting
  2. The Trustee, U Capital, will use their best endeavors to sell the OAB shares (arising from the swap of the Share Block) through the MSM within a period of six (6) months' subject to any extension approval from CBO and CMA. Any cash generated from such sale will be returned to the Beneficial Owners.
  3. The Trust will not acquire any further OAB shares at any time i.e. it will not purchase additional OAB shares either from shareholders or from the market after swap of AIB shares with OAB shares except from AIB Shareholders, if they so desire, who will have the opportunity to exchange their Consideration Shares for cash (equivalent Cash Consideration they would have received if they were an Exiting AIB Shareholder), provided (i) they inform the Offer Manager in writing, within a period of 30 calendar days from the Offer Closing Date and (ii) such Consideration Shares are unencumbered.
  4. Any cash dividends received will be passed on to the Beneficial Owners except for share dividends which will be held and sold by the Trust.
  5. Accordingly, the Trust is envisaged to liquidate once it sells all the shares in OAB.
  6. This Trust will be administered by U Capital.

## 20. RISK FACTORS

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*Following risk factors are not comprehensive or exhaustive, as additional risks and uncertainties not presently known or that OAB currently believes not to be of significance may also have an impact on OAB and its proposed operations. The actual risks and the impact of such risks could be materially different from those mentioned herein. If any of these uncertainties develop into an actual event, OAB's proposed operations and results could be adversely impacted. It should also be noted that OAB intends to undertake steps and/or measures necessary in order to mitigate the risks referred to below apart from those that may be caused by factors that are beyond OAB's control, including, in particular, factors of political and economic nature.*

*It is to be noted that past performance is not indicative of future results.*

*AIB Shareholders should consider carefully whether acceptance of the Offer is suitable for them in light of the information in this Offer Document and their personal circumstances.*

### 20.1 Risk relating to the Offeror

#### 20.1.1 Competition

OAB operates in a competitive business environment where it faces competition from other commercial banks, specialized banks and financing companies. This could result in increased pressure on the level of business which could have a negative impact on margins and profitability.

OAB has been performing satisfactorily over the past in an increasingly competitive market and is confident of doing so in the future.

#### 20.1.2 Regulatory Risk

The suspension, cancellation or restrictions on OAB's banking license would result in OAB becoming incapable of carrying on its activities, which would have a material adverse effect on OAB's business and operating results.

OAB policies and procedures are aimed at complying with the banking rules and regulations so that there is no cause for any punitive regulatory action.

#### 20.1.3 Banking Risks

Banks, including the Offeror, are faced with a number of risks arising from the nature of their business which includes Credit risk (default by borrowers/ counter parties), Interest rate risk (adverse movement in market rates), Liquidity risk (inability to obtain required amount of funding at economical rates), Currency risk (adverse movement in forex rates), Price risk (adverse changes in market prices of securities/ investments/ assets), Operations risk (risk of fraud, errors, improper documentation, etc.), Technology risk (data loss, interruptions, obsolescence) and reputation risk (risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation which may adversely affect its financial position, business and profitability). Any of these risks could affect OAB causing it to incur financial loss and loss of business.

OAB has put in place various risk management policies and procedures to manage these risks and conduct its operations in a prudent manner.

#### 20.1.4 Business Continuity Risks

OAB's business may be affected by natural disasters, diseases, social disturbances and accidents such as fire, which may result in interruption of business, loss of property, records and information. Any interruption or threat, real or perceived, to the Information Technology (IT) system of OAB could significantly impact its operations. These could have substantial adverse impact on the financial position of OAB.

OAB has put in place suitable business continuity plans to handle potential business interruptions or loss of information.

#### 20.1.5 Critical Accounting Estimates

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### 20.1.6 Provisions for Non-Performing Loans

OAB establishes an allowance for credit losses as prescribed by IFRS and the CBO guidelines that represent its estimate of credit losses in its financing portfolio. Additionally, OAB has applied IFRS 9, which came into effect from 1 January 2018. IFRS 9 imposes more stringent requirements on OAB for the recognition of impairments.

As at 31 December 2019, OAB had gross NPLs amounting to RO 73.9 million and carried allowance for credit losses and contractual interest not recognised of RO 53.6 million to cover potential identified and unidentified impairment losses (compared with NPLs amounting to RO 51.5 million and carried allowance for credit losses and contractual interest not recognised of RO 55.2 million as at 31 December 2018). As at 31 December 2019, the total allowance for credit losses and contractual interest not recognised covered 73 per cent of OAB's NPLs (compared to 107 per cent as at 31 December 2018). In accordance with IFRS, OAB is required to reflect the impairment calculated as a charge to the income statement.

OAB's management believes that the levels of allowance for credit losses and contractual interest not recognised for NPLs under stress as at 31 December 2019 are sufficient to cover OAB's estimated impairment losses as at that date. However, the actual impairment losses could be materially different from the allowance for credit losses and contractual interest not recognised and if such allowances are insufficient to cover impairment losses this could have an adverse impact

on OAB's business, results of operations, financial condition, liquidity and prospects and thereby affect OAB's ability to make payments in respect of the Capital Securities.

#### 20.1.7 Asset Liability Mismatch Risk

Since OAB is in the business of borrowing and lending money, it is exposed to the risk of mismatch in the tenors and other key terms of its assets and liabilities e.g. short-term funding used for funding long term advances.

OAB's asset and liability mismatch risk is monitored and managed by Assets and Liabilities Committee (ALCO) with the objective of limiting the potential adverse effects on OAB's profitability.

#### 20.1.8 Non-Performing Loans Risk

OAB's non-performing loans have increased since 2018 mainly due to the unfavorable macroeconomic environment, with a gross NPL ratio of 2.95 per cent as at 31 December 2017, 2.73 per cent as at 31 December 2018 and 3.59 per cent as at 31 December 2019. OAB's net NPL (CBO) ratio was 1.29 per cent as at 31 December 2017, 1.54 per cent as at 31 December 2018 and 2.11 per cent as at 31 December 2019. OAB's Net NPL (IFRS 9) ratio was 1.89 per cent as at 31 December 2018 and 2.40 per cent as at 31 December 2019. Whilst OAB will continue to deal with the emerging risks to manage and maintain the quality of its loan portfolio, the persistence of the stressed and unfavorable microenvironment might lead to a further increase in non-performing loans ratio, and this could have an adverse impact on OAB's business, results of operations, financial condition, liquidity and prospects and might affect OAB's ability to make payments in respect of the Capital Securities.

In addition, the CBO may, at any time, amend or supplement its guidelines and require additional provisions to be made in respect of OAB's loan portfolio if it determines (acting in its role as the prudential regulator for the Omani banking sector) that it is appropriate to do so. If any additional provisions were required to be made, then depending on the exact quantum and timing, such provisions could have an adverse impact on OAB's business, results of operations, financial condition, liquidity and prospects and might affect OAB's ability to make payments in respect of the Capital Securities.

OAB follows prudent credit policies and processes through which it reviews the creditworthiness of customers and manages its risk exposure. To mitigate the risk of unforeseen eventualities, adequate security cover is maintained over the assets of borrowers. Furthermore, despite decrease in provision coverage, OAB maintains adequate provision coverage as required by CBO.

#### 20.1.9 OAB's financial position and ratios post-Takeover

OAB's consolidated financial and regulatory ratios may be impacted post-Takeover of AIB. Further, in the event AIB continues to report losses, this may have an adverse impact on OAB's financial position and ratios as it may also require injection of additional capital into AIB.

#### 20.1.10 Risk of dependence on key personnel

The success of OAB depends, in part, on OAB's ability to continue to attract, retain and motivate qualified and skilled personnel. OAB relies on its senior management for the implementation of its strategy and its day-to-day operations. If OAB were unable to retain key members of its senior

management and/or hire new qualified personnel in a timely manner, this could have an adverse effect on the operations of OAB, its business and profits.

OAB places high importance on developing conducive human resource policies aimed at achieving employee satisfaction and motivation which help employee retention as well as attracting new talent. OAB also develops senior management succession plans to achieve a smooth transition.

#### 20.1.11 Dependence on short-term funding and liquidity

As with most banks, a substantial portion of OAB's funding requirements is met through low-cost, short-term funding sources, primarily in the form of customer deposits. As of 31 December 2019, approximately 49 percent of OAB's customer's deposits had remaining maturities of one year or less or were payable on demand.

Disruptions, uncertainty or volatility in the capital and credit markets may limit OAB's ability to refinance maturing liabilities and increase the cost of such funding. The availability to OAB of any additional financing it may need will depend on a variety of factors, such as market conditions, the availability of credit generally and to borrowers in the financial services industry specifically, and OAB's financial condition, credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of OAB's financial prospects.

OAB's deposit base has grown steadily over the years increasing from RO 769.8 million at the end of 2010 to RO 1998.0 million at the end of December 2019, which indicates OAB's ability to renew as well as mobilise new deposits over the period. Furthermore, OAB has also issued Unsecured, Perpetual, Tier 1 bonds of RO 30 million in December 2016, subordinated loans of RO 20 million with 5.5-year maturity, obtained in November 2015, subordinated bonds of RO 55 million issued in April 2012 (matured in May 2017). OAB expects that it will be in a position to mitigate such risks through retaining its existing depositor base, acquiring new deposits and generating liquidity through additional funding sources.

#### 20.1.12 Deposit and borrower concentrations

Although OAB considers that it has adequate access to sources of funding, the withdrawal of a significant portion of large deposits could have a material adverse effect on its business, results of operation and financial condition, as well as their ability to meet the CBO regulations relating to liquidity. Any such withdrawal may require OAB to seek additional sources of funding (whether in the form of deposits or wholesale funding), which may not be available to OAB on commercially acceptable terms or at all. Any failure to obtain any replacement funding may negatively impact OAB's ability to maintain or grow its loan portfolio or otherwise increase its overall cost of funding, any of which could have a material adverse effect on its business, results of operation and financial condition.

A significant default by one or more of OAB's large corporate borrowers could have an adverse effect on OAB's business, financial condition, results of operations or prospects. Retail customer portfolios are strongly linked to the economic conditions in Oman, with changes in employment levels and interest rates among the factors that may impact retail credit exposures.

A downturn in the financial position of any of OAB's depositors or borrowers could have a material adverse effect on OAB's business, financial condition, results of operations or prospects, and thereby affect its ability to perform its obligations in respect of the Bonds.

OAB has put in place various risk management policies and procedures to manage such risks and conduct its operations in a prudent manner.

## 20.2 Risk Factors relating to the Market in which OAB operates

### 20.2.1 Economic Risk

The global as well as Oman's economic performance has a direct impact on OAB's performance. Any change in the economic environment could have an impact on OAB's operations and performance. Furthermore, any future credit rating downgrade of Oman may result in increased cost of borrowing or may limit the Offeror's ability to raise further capital at low costs which in turn could have a material adverse effect on its business, financial condition, results of operations or prospects.

OAB considers the economic outlook and its implications while drawing up its business plan. Further, the OAB Board and its management monitors the functioning of OAB and adopts suitable actions in the event of any unanticipated developments. However, the current economic/ business environment has been severely impacted by the COVID-19 pandemic and as this is an unprecedented development, there is a high level of uncertainty relating to the duration of the pandemic and its fallout. Therefore, it is not possible for OAB to provide any forecast or guidance on the level of impact this will have on its future performance and position.

### 20.2.2 Change in Laws, Regulations and Rules

OAB's functioning is supervised by the CBO, CMA and MOCI. Any change in the prevailing policies and regulations and/or the laws of Oman could impact OAB's performance. Further, any changes to the applicable laws or regulations including the regulations relating to capital adequacy, Basel regulatory framework and perpetual subordinated bond instruments could impact the value of the Bonds.

OAB does not currently anticipate any radical changes in the regulations; therefore, the impact of such changes remains limited. Furthermore, OAB has a well-experienced management team to appropriately respond to any such developments.

### 20.2.3 Default by Bank's Clients and Counterparties

Any potential or actual default by OAB's Clients and Counterparties on account of country, regional and political risks, economic risks, currency crises, etc. may adversely affect OAB's business and operations.

OAB has appropriate risk management policies and procedures to address these issues so that these do not have a material adverse impact on OAB's long-term prospects.

## 20.3 Risk factors relating to the Offer

### 20.3.1 Corporate Governance

As an SAOG, OAB will be subject to significant corporate governance requirements including disclosure procedures, and availability of standard procedures and manuals. Any default in compliance could lead to regulatory action and / or penalties. Further, these requirements may require substantial time from the Management out of the day-to-day business operations.

OAB has in place a compliance policy and procedure, which aims at ensuring compliance with regulatory requirements. Further OAB will closely monitor along with its advisors, completion of all standard policies, procedures and manuals required to operate as an SAOG entity.

### 20.3.2 Shareholding change

Post-Takeover the shareholding in OAB will change, with OMINVEST holding reducing to a minority (from the current 51 per cent) while Arab Bank will have the largest shareholding at 49 per cent. Accordingly, there may also be an impact on the management and business of OAB.

Arab Bank's experience in the region and its financial strength is expected to benefit OAB.

### 20.3.3 Risk related to the Consideration Shares following the OAB Listing

**No trading history:** The Consideration Shares, along with all other shares in OAB, will be listed on the MSM as per the timetable set out in this Offer Document. There is no prior history of trading in the Consideration Shares.

**Share price fluctuation:** After listing of the Consideration Shares on the MSM, the price of the Consideration Shares may fluctuate for various reasons and may go below the Offer Consideration.

**Liquidity:** There are no guarantees that an active market will exist in the Consideration Shares subsequent to the listing on the MSM. To that extent, the Continuing AIB Shareholders face the risk of holding Consideration Shares that may not be actively traded.

**Future increase of equity capital:** OAB may in the future increase its equity capital through further issues of shares. Such capital increases could impact the price of the Consideration Shares on the MSM.

**Market fluctuations:** Market fluctuations and other factors may adversely affect the trading price of the Consideration Shares regardless of the actual operating performance of OAB. All equity investments carry market risks to varying degrees. The value of any security can fall as well as rise depending on market conditions.

## 21. ACCEPTANCE OF OFFER – TERMS, CONDITIONS & PROCEDURE

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- Considerations based on prevailing COVID-19 situation and resultant lockdowns
- Only electronic copy of this announcement and Offer Document will be emailed based on MCDC data and also be available on OAB, OMINVEST and AIB websites.
  - Submission of Acceptance for the Offer;
    - o the shareholder can send their acceptance through email to U Capital;
    - o shareholders should also contact Offer Manager to register and/or verify their contact details.

Acceptance Form

The acceptance form to be used by AIB Shareholders to submit their acceptance of the Offer to either receive Consideration Shares or Cash Consideration pursuant to the terms of the Offer Document. These forms will be sent to each AIB Shareholder through email.

- Procedure for acceptance of offer by shareholder of the Target Company
1. In order to accept the Offer, the shareholders are required to;
    - i. send the Acceptance Form duly completed and signed, delivered to U Capital Office located in OMINVEST Business Center, PH Level, Building no. 95, Way no. 501, Airport Heights,  
  
or alternatively,
    - ii. the Shareholder can send an email providing their selected option clearly,  
  
along with the requisite documents (as set out below) on or before 2 pm, 28<sup>th</sup> June 2020 (Offer Closing Date) . Please ensure that the Acceptance Form / Email clearly specify Consideration Shares or Cash Consideration.
  2. Completed Acceptance Form / Email once submitted cannot be revoked by shareholders.
  3. The Offer will remain open for acceptance for three (3) working days starting from 24<sup>th</sup> June 2020 to 28<sup>th</sup> June 2020 (both days inclusive), during business hours i.e. 8 am – 2 pm. Acceptances received after working hours on Offer Closing Date shall not be entertained.

Required Documents

Letter/form of acceptance furnished by the shareholder(s) without the requisite documents may be rejected by the Offer Manager as being incomplete and invalid.

The Letter/form of acceptance must be accompanied by the following documents:

**For Individual Applicants:**

- A copy of Omani ID for Omani Shareholders and Passport copy for Non-Omani Shareholders,
- Birth Certificate of the minor shareholder, if father is accepting on behalf of his minor children.
- A copy of valid power of attorney duly endorsed by the competent legal authorities must be included in the event the acceptance is on behalf of another person (with the exception of an acceptance made by a father on behalf of his minor children)

**For Corporate Applicants:**

- Card of signatories,
- a certified copy of board resolution authorizing persons to accept the Offer with specimen signatures of such authorized persons,

Acceptance by OAB

The acceptance by OAB of the AIB shares tendered by the AIB shareholders and settlement is subject to the following conditions:

- The Offer receives the minimum threshold acceptance (90 per cent. of AIB shareholdings)
- Approval of the Capital Market Authority (“CMA”) for the final Offer result.
- The settlement for the tendered shares does not contravene any Applicable Laws / Regulation
- The letter/form of acceptance being duly and validly completed along with the required documents and submitted to the Offer Manager on or before the Offer Closing Date.
- The person accepting the Offer is a valid AIB shareholder.
- OAB and the Trust not withdrawing the Offer in accordance with the provisions of the Regulation.

Payment to eligible shareholders opting for Cash Consideration within Offer Period or during the 30 days’ period post Offer close for non-responding / non-continuing shareholders squeezed out through Compulsory Acquisition

Upon receipt of valid letter/form of acceptance along with the requisite documents and subject to satisfactory verification, the Offer Manager will notify the eligible shareholders regarding acceptance of the tender and arrange to make payment by bank draft/pay order/cheque/bank transfer in favor of the shareholder within 10 (ten) days of the Offer Closing Date net of MSM/ MCD fees or charges, as applicable. No interest, mark-up, surcharge or other increment will be payable for any cause or reason on the aggregate price for the shares purchased by the Trust from any shareholder for any cause or reason.

Issue of OAB shares to eligible shareholders opting for Consideration Shares

Upon receipt of valid Acceptance Form along with the requisite documents and subject to satisfactory verification, the Offer Manager will announce the Offer results. OAB shall arrange to issue the shares and MCDC will credit the shares to securities accounts of respective shareholders, within 10 (ten) days of the Offer Closing Date.

## 22. AUTHORISATION FOR THE ISSUING OF THE OFFER

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The Directors of Oman Arab Bank SAOC (under transformation) jointly and severally hereby confirm that, to the best of their knowledge:

- 1) The information provided in this Offer Document is true and complete.
- 2) Due diligence has been taken to ensure that no material information has been omitted, the omission of which would render this Prospectus misleading.
- 3) All the provisions set out in the Banking Law, Capital Market Law, the CCL, and the rules and regulations issued pursuant to them have been complied with.

The following OAB Directors are authorized to sign the Offer Document pursuant to the resolution of a meeting of the OAB Directors:

**Name**

**Signature**

Mr. Abdulaziz Al Balushi

-sd-

Mr. Imad Sultan

-sd-