

AGM  
REPORT  
2021



Corporate  
Governance  
Report



بنك عُمان العربي  
OMAN ARAB BANK



# OAB's approach to corporate governance

## Framework and Approach to corporate governance and responsibility

The Board is committed to maintain the highest standards of corporate governance. The Board believes that corporate governance is about having a set of values and behaviors that governs the Bank's and its subsidiaries (Al Izz Islamic Bank) everyday activities - values and behaviors that ensure transparency, fair dealing and protection of the interest of the Bank's stakeholders namely customers, shareholders, employees and the community. In line with this belief, the Board's approach is to consider corporate governance within the broader framework of corporate responsibility and regulatory oversight.

A Bank's level of governance and responsibility has emerged as a significant indicator of its overall health as a business. Therefore, the Bank is committed to good governance practices for the sustainability of the Bank's business and its performance.

In pursuing its commitment to best practice governance standards, the Board will continue to:

- Review and improve the governance practices.
- Monitor global developments in best corporate governance practice and
- Contribute to local debates on what represents the best corporate governance practice.

## Our Governance Standards – Principles and Processes

At Oman Arab Bank, we believe that the best approach is to be guided by the principles and practices that are in our stakeholders' interests. However, as a minimum, we ensure compliance with legal requirements, in particular to the letter and spirit of the local governance practices issued by the Capital Market Authority (CMA) and the Central Bank of Oman (CBO).

This corporate governance statement is divided into two Parts. Part 1 discusses the broad principles of corporate governance adopted by the Bank. Part 2 provides specific disclosures.

## Date of this statement

This statement reflects the Bank's corporate governance policies and procedures as at 31 December 2021.

## Corporate Governance - Part 1

This part provides information regarding the following subjects as required under the Code of Corporate Governance issued by the CMA:

1. The Board
2. Board Committees and their role
3. Audit governance and independence
4. Executive pay and reward scheme

### 1. The Board

#### Role of the Board

The Board of Directors is accountable to the shareholders. The Board's specific responsibilities, among other things, include:

- Ensuring the business is conducted ethically and transparently
- Providing strategic direction and approving corporate strategies
- Ensuring availability and adequacy of sound policies, plans and procedures that cover all the Bank's activities in line with governing regulations
- Ensuring maintenance of adequate risk management controls and reporting mechanisms
- Monitoring management and financial performance
- Reviewing and approving the Bank's quarterly and annual financial reports
- Approving the business plan and budgets
- Selecting and evaluating the Chief Executive Officer (CEO) and senior management
- Planning for executive succession; and
- Setting Chief Executive Officer's remuneration and recommending the Directors' remuneration to the shareholders for approval in the Annual General Meeting
- Ensuring adherence to the Central Bank's and other regulatory and supervisory bodies' requirements
- Approving the appointment of the Bank's representative/s in the board of its subsidiaries (i.e. Alizz Islamic Bank) based on BRSC recommendation

#### Board size and Composition

The Bank's Board of Directors consist of nine members, all of whom are non-executives as mandated by the Central Bank of Oman and Capital Market Authority's regulations.

The current composition of the Board and Board Committees is set out in Part 2.

#### Selection and Role of the Chairman

The Chairman is a non-executive Director, appointed by the Board. The Chairman's role includes but is not limited to:

- Ensuring high standards of Corporate Governance by the Bank.
- Ensuring that when all Board members take office, they are fully briefed on the terms of their appointment, their duties and responsibilities.
- Providing effective leadership on formulating the Board's strategy.

- Representing the views of the Board to the public.
- Ensuring that the Board meets at regular intervals throughout the year, and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors.
- Reviewing the contributions made by the Board members.
- Ensuring the implementation and follow up of the resolutions of the board of directors

## **Board Independence**

According to the Bank's structure, the Board has the highest governing authority within the Bank. It is operating independently of the executive Management. The Board consists of nine non-executive directors of which four are independent.

## **Meetings of the Board and their Conduct**

The Board meets formally at least four times a year. In addition, it meets whenever necessary to deal with specific matters requiring attention between the scheduled meetings. Meeting agendas are established by the Chairman in consultation with the CEO to ensure adequate coverage of financial, strategic and major risk areas throughout the year. Copies of Board papers are circulated in advance of meetings.

Meetings attended by the Directors during the past financial year are reported in Part 2.

## **Attendance at Annual General Meeting**

The Directors attend, and are available to answer questions at, the Annual General Meeting.

## **Avoidance of Conflicts of Interest of Directors**

In accordance with the constitution of the Bank, any Director with a material personal interest in any matter presented to the Board or its Committees, must not be present when the matter is being considered, and may not vote on the matter (more details under Related Party Section/paragraph).

## **Expertise of the Board**

The Board has a broad range of expertise and experience to meet its objectives. The current Board composition, with details of each member's expertise and experience and other current Directorships, is set out in Part 2.

## **Nomination and Appointment of New Directors**

The Board of Directors is elected by the shareholders of the Bank during the Annual General Meeting for a three-year term. The Board Remuneration and Selection Committee reviews and assesses the required skills of nominees against the Fit and Proper criteria stipulated by the CBO and CMA.

When appointed to the Board, all new Directors receive an induction appropriate to their experience to familiarize them with matters relating to the Bank's business, strategy and current issues before the Board. The term of the current Board expires in March 2022.

## **Review of Board Performance**

The Board regularly reviews its overall performance, as well as the performance of individual Directors. The review is carried out by an independent consultant appointed by the shareholders.

## **Board Access to Information**

The Board needs high quality, unfiltered information on which to base decisions. All Directors have unrestricted access to the Bank's records and information, and receive regular detailed financial and operational reports from senior management to enable them to carry out their duties.

## **2. Board Committees**

The Board Committees' authorities and responsibilities are governed by the relevant Committee's terms of reference in order to enhance the role of the Board in effectively dealing with complex and specialized issues and also ensure implementation of appropriate and effective risk management and corporate governance practices. In this regard, the Board of Directors has established four sub-committees namely the Credit Committee, the Audit Committee, the Compliance and Risk Committee and the Remuneration and Selection Committee.

### **Operation of the Committees**

Each committee is entitled to the resources and information it requires, including direct access to employees and advisers. Senior managers and other employees are invited to attend committee meetings as necessary.

### **Composition and Independence of the Committees**

Committee members are chosen based on the skills, experience and other qualities they bring to the committees. All committees are composed of non-executive Directors.

### **The mechanism of Committees' reports to the Board**

Minutes of every meeting of the Board Committees are included in the agenda for the first full Board meeting scheduled to be held after the committee meeting. During each meeting, chairmen of respective committees brief the Board of the outcome of each committee's meeting, which includes decisions and recommendations made to mitigate the potential risks and enhance the effectiveness of internal controls.

### **Brief Terms of Reference of Board Committees**

#### **a) Credit Committee**

The purpose of the Board Credit Committee (BCC) is to assist the Board in fulfilling its responsibilities in lending and credit activities within BCC's delegated authorities taking into consideration the Bank's credit policies, strategic and business plans. Main responsibilities of the Committee include:

- Review and make recommendations to the Board on regular basis or whenever the need arises on the credit delegated authorities of both the Management and the BCC's.
- Reviews the Bank's credit portfolio on regular basis in coordination with the Board Compliance and Risk Committee.
- Reviews and approves credit facilities above the executive management's approval limits.
- Review the Management Credit Committee's recommendations with respect to debt write-off or write-down and take the appropriate decision within the BCC's delegated authorities or escalate to the Board for a decision.
- Considers matters of special importance as delegated by the Board.

## **b) Board Audit Committee**

The Board Audit Committee's primary responsibility is to assist the Board in fulfilling its responsibilities in relation to the external reporting of financial and non-financial information, oversight responsibilities over the system of internal control, the audit process, and the Bank's process for monitoring compliance with laws and regulations and the code of conduct. Main responsibilities of the Board Audit Committee include:

- Approves the scope of internal audit work planned for the year.
- Reviews and approves the scope of the external audit work planned for the year.
- Approves protocols governing the provision of non-audit services by the external auditor, that are outside of the scope of the external audit work to be undertaken, to ensure auditor's independency.
- Oversees and annually, reviews the performance of the Internal Audit Function.
- Ensures that the recommendations of the external and internal auditors are well addressed and implemented.
- Ensures the external and internal audit role in reviewing and auditing the IT systems/applications and the IT security.
- Ensures compliance with international accounting standards implemented in the Sultanate of Oman.
- Ensures that the Bank's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and other applicable regulations.

## **c) Compliance and Risk Committee**

The Board Compliance and Risk Committee's primary responsibility is to assist the Board in fulfilling its responsibilities in relation to risk management strategy and frameworks (covering credit, liquidity, market, operational and other risks) in addition to in addition to establishing a compliance function that will develop necessary systems and controls and assess the impact of new laws and regulations on the Bank's operations. Main responsibilities of the Committee include:

- Assists the Board with the formulation of the Bank's Risk Appetite Statement.
- Establishes and reviews the framework for risk management throughout the Bank covering all risks, including strategic, market, liquidity, credit, operational and reputation risks on an ongoing basis.
- Ensure the, risk management frameworks, including policies, procedures and monitoring, accurately reflects the Bank's Strategy, Risk Appetite, accepted practices and legal and regulatory requirements.
- Promotes and ensures a high level of awareness of risk management throughout the Bank.
- Reviews the strategy, plan and budget of compliance and risk management functions.
- Reviews the assessment of the Bank's risk profile to understand the key risks affecting the Bank and recommend to the Board for approval.
- Reviews and recommends the ICAAP for Board approval consistent with the Board determined risk appetite.
- Reviews regulators' or external parties (i.e. external auditors) reports on the adequacy of the Bank's Risk Management Frameworks.
- Review the effectiveness of both the Bank's Business Continuity Plans including test results.
- Reviews the adequacy of the Bank's general insurance policies established by management, and for Directors' and Officers' (D&O) insurance recommending to the Board D&O insurance for approval.
- Review Bank's policies and recommend the same to the Board for approval

- Reviews the effectiveness of the process for monitoring compliance with all applicable laws and regulations.
- Reviews the Bank's compliance arrangements to ensure they are in accordance with the Bank's objectives and strategies, as well as any regulatory or legislative requirements
- Reviews any proposed legislative or regulatory changes, the impact such changes may have on the Bank's business and the internal policies and controls which will be introduced to address these changes.
- Approve the Compliance Department/ Function's Plan and review the same on annual basis.

#### **d) Remuneration and Selection Committee**

The purpose of the Board Remuneration and Selection Committee is to assist the Board in fulfilling its responsibilities relating to remuneration and people matters, and compliance with related employment laws and regulations. It does this by ensuring that the Bank has appropriate remuneration and people systems in place and by monitoring their effectiveness. The Committee is, among other things, is responsible for:

- Develop succession plans for the Board or at least the chairperson.
- Prepare detailed job description for the role and responsibilities of Directors including the Chairperson.
- Nominate qualified persons to act as interim (temporary) Director(s) on the Board in the event that a position becomes vacant; and
- Develop proper Board Remuneration policy and review it annually, taking into account market conditions and the Bank's performance.
- Ensure on annual basis the absence of any conflict of interest with respect to the membership of any in Board of other companies.
- Review Board membership criteria taking into consideration skills and competencies needed for the Board and its Committees.
- Recommend to the Board the appointment of the Chief Executive Officer (should be a resident in the Sultanate of Oman), Deputy Chief Executive Officer, General Managers/deputies and Assistant General Managers, Head of Audit, Chief Risk Officer, Chief Compliance Officer and Legal Advisor as well as determining their remunerations and responsibilities.
- Review and monitor Omanization plans and compliance with the Omani Labor Law, related laws and regulations, Central Bank of Oman and Capital Market Authority instructions and regulations.
- Approve the annual remuneration for the executive management team (including salaries, performance bonus, performance-based incentives and other benefits).

#### **Composition of the Committee and Meetings.**

The current committee memberships together with dates of meetings held are set out in Part 2.

Each Board Committee shall comprise of at least three members. The Board committees shall convene at least four times a year, except the Remuneration and Selection Committee which shall convene at least twice a year.

### **3. Audit Governance and Independence**

The Board is committed to three basic principles:

- The Bank must produce accurate and fair financial reports;
- The Bank must have independent auditors who serve shareholders' interests by ensuring that shareholders know the Bank's actual financial position; and
- The accounting and auditing standards are comprehensive and relevant and comply with applicable accounting standards and policies.

#### **Engagement of Auditors**

The Bank's independent external auditors are KPMG for the financial year ended at 31 December 2021. They were appointed by shareholders at the Annual General Meeting held on 28 March 2021.

#### **Certification and Discussions with Auditors on Independence**

The Board Audit Committee requires the Bank's external auditors to confirm that they maintained their independence at the commencement and during the audit. Board Audit Committee also meets with the external auditors to discuss their audit and any concerns they may have.

#### **Rotation of External Auditors**

Subject to applicable regulatory requirements, the Bank will require rotation of the external auditor every four years and a minimum two years' 'cooling off' period before an auditor is reappointed.

#### **Attendance at Annual General Meeting**

The Bank's auditors attend, and are available to answer questions at, the Annual General Meeting.

### **4. Executive Pay and Reward Schemes**

#### **Overview**

The Bank's goal in rewarding the CEO and other executives is to provide base pay plus performance-linked rewards and other benefits that will attract and retain key executives. The Bank's policy is to provide individual performers with a level of income that:

- Recognizes the market value of each position in a competitive market;
- Rewards the individual's capabilities and experience;
- Recognizes the performance of individuals and
- Assists in executive retention.

To do this, the Bank has designed a fair and transparent structure for rewarding the Bank's executives that matches comparable remuneration in the marketplace.

#### **Senior Management Remuneration**

The remuneration of the CEO is recommended by the Board Remuneration and Selection Committee and approved by the Board of Directors. The CEO recommends the pay and reward packages for key senior management staff consistent with the market practice and this is approved by the Board Remuneration and Selection Committee. Fees paid to each Director during the 12 month period ended 31 December 2021 together with pay and rewards for the Bank's key management personnel are set out in Part 2.



## Corporate Governance - Part 2

### 1. Profiles of members of Board of Directors

#### Mr. Rashad Al Zubair - Chairman



Mr. Rashad Al-Zubair is the Chairman of the Zubair Corporation ("Z-Corp"), a leading business group in the Sultanate of Oman, with business interests extending to Automotive, Energy & Logistics, Engineering Construction & Contracting, Financial Services, Manufacturing and Real Estate & Hospitality. He steers the affairs of the Board, and acts as its representative in major matters and significant business relationships. Before taking over his current position in 2010, he has been President of Zubair Automotive, and thereafter Group President of The Zubair Corporation for a number of years.

Mr. Al Zubair has been the Chairman of Oman Arab Bank since June 1999. He is also the Chairman of the Zubair Holding SAOC and Oasis Water Company SAOC as well as Vice Chairman of Barr Al Jissah Resort Co SAOC. He is the Vice Chairman and Founder Member of Muscat University.

Mr. Al Zubair has held directorships (including the office of Chairman), in several prominent joint stock companies. He was the Deputy Chairman of the Oman Business Council and member of its founding Directors. Until recently he was the founding Chairman of Oman German Friendship Association. He also served as Director of the Capital Market Authority, the regulatory body of the Muscat Securities Market and is a member of the newly formed Oman Centre for Governance & Sustainability.

#### Mr. Wahbe Tamari - Deputy Chairman



Mr. Wahbe Tamari is currently Chairman of the Board of Arab Bank Switzerland Ltd. and Arabia Insurance Company SAL. He is also an active member of the board of Arab Bank Plc, Sucafina SA, Solidere International Plc, as well as a number of other companies active in various domains. He leads numerous projects in financial services and real estate. His deep understanding and passion for commodities began with his internship at Merrill Lynch London in 1982; later he joined Sucafina SA, a company established by and belonging to his family which he managed between 1988 and 2004. Sucafina SA is a leading sustainable Farm to Roaster coffee company, with a family tradition in commodities that stretches back to 1905. Today, with more than one thousand employees spread over thirty countries, Sucafina Group is one of the leading coffee trading houses in the world, and one of the few focused entirely on the coffee business. Sucafina Group's extensive supply chains span from producer-facing export operations to destination sales offices around the world.

Mr. Tamari is an active member of YPO (Young President Organization) 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 LIFE (Lebanese International Finance Executives) a global network of Lebanese professionals working together towards a brighter future, and 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 Abu Dhabi and was born in Beirut, Lebanon. He is a graduate of Webster University Geneva with a BA in Management and Harvard Business School in 2013.

## Ms. Randa El Sadek- Board Member



Ms. Randa El Sadek is currently the Chief Executive Officer of Arab Bank in Jordan. Previously, she was holding the position of deputy CEO of the Bank. She has more than 30 years experience in international sector. She worked with the National Bank of Kuwait for 23 years where she was the Group General Manager of the International Banking Group in charge of the bank's international activities, branches and subsidiaries worldwide. She was a member of the bank's Management Executive Committee and served on the Boards of Directors of the bank's overseas subsidiaries and was Managing Director of London based National Bank of Kuwait (International) Plc.

In addition to her current position, Ms. Randa El Sadek is also the Chairman of Arab Tunisian Bank, the Vice Chairman of Arab Bank Australia. She is chairman of Al Arabi Finance Holdings in Lebanon and chairman of the Directors of Al Arabi Investment Group in Jordan.

Ms. Randa El Sadek holds an MBA in Finance from the American University of Beirut.

## Mr. Abdulaziz Al Balushi - Board Member



Mr. Abdulaziz Mohammed Al Balushi is the Chief Executive Officer of OMINVEST, major shareholder of Oman Arab Bank. He is an experienced and professional banker with more than 28 years of experience in the banking industry and capital markets. He was the CEO of Ahli bank SAOG from 2007 to 2013 and was primarily responsible for 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 OER, the best bank in Oman 2012 by World Finance and the Bankers award 2013. In a career that has spanned over two decades, Mr. Al 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. He holds Master of Science Degree in Finance from the University of Strathclyde (UK) and a Fellow Chartered Institute of Bankers (UK). He has attended a host of Specialized Executive Management Development Programs at International Institutes of worldwide repute such as Strathclyde; London and INSEAD Business Schools. In November 2012, he was ranked as the "Second Best CEO in the Arab Banking World" by Forbes Magazine.

Mr. Al Balushi served in various Boards of companies across the Sultanate including ONIC Holding, Al Ahlia Insurance Company, National Life Insurance, Oman Investment & Finance Company, Gulf Hotels Co. and as an Advisory Board Member in the College of Agricultural and Marine Services at Sultan Qaboos University. Currently, he is the Chairman of Oman Real Estate Investments and Services SAOC and Salalah Resorts SAOC; and Deputy Chairman of Jabreen Capital. He is also a Board member at Oman Arab Bank SAOG, National Life and General Insurance Company SAOG and National Finance Company SAOG. Additionally, he is a member of Oman American Business Center, an organization formed to foster the development of commercial activity between the United States of America and the Sultanate of Oman. Mr. Al Balushi is also a Fellow of the Institute of Financial Services, an organisation supporting professionalism in financial services.

## Mr. Walid Al Samhouri - Board Member



Mr. Walid Al Samhouri is Executive Vice President – Jordan Country Head at Arab Bank. He has a vast banking experience for more than 33 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. Al Samhouri is the Chairman of Arab Sudanese Bank -Sudan, and a board member of Arab Tunisian Bank, Tunisia. He is also a board member in Jordan Loan Guarantee Corporation, Jordan. He holds a Master's degree in Economics from the University of Jordan.

## Mr. Imad Sultan - Board Member



Mr. Imad Sultan joined the family business at W. J. Towell & Co. LLC, (a major diversified family-owned corporation since 1866) as a Business Development Manager in 1995 and has been in the Towell Group since then. He is currently the Vice Chairman & Managing Director of W. J. Towell & Co. LLC, and the Chairman of the Executive Committee of the Group. He is also the Vice Chairman of National Hospitality Institute SAOG, Board Member and Chairman of the Nomination Committee and Member of the Executive

Committee at Muscat Stock Exchange. In addition, Mr. Sultan is a Board member of Savannah Resources PLC. Formerly he served as a Director on the Boards of National Bank of Oman, Oman International Development & Investment Company SAOG. (Ominvest) and Oman Tennis Association among others. He 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.

## Mr. Nasri Malhamé- Board Member



Mr. Nasri Malhamé served as the CEO of Arab Bank (Switzerland) from 2009-2017. He is a board member of various entities, Arab Tunisian Bank, AB Fund Managers-Guernsey, Ubhar Capital-Oman and Chambre de commerce Arabo-Suisse, Geneva. He was also appointed as board member in Banque Du Crédit National-Lebanon.

Mr. Malhamé has previously worked at B.A.I.I. Paris, an affiliate of BNP, after that he joined BNP Paribas-Geneva as an Executive Director in charge of Private Banking and Trade Finance for Southern Europe and the MENA region, and was appointed as a member of the Executive Committee in 2000. He holds a Ph.D. in Banking and Management from Université Paris Dauphine and has set up his own consultancy firm, NVM Consulting.

## Mr. Mohammed Al Ghanamah - Board Member



Mr. Mohammed Al Ghanamah has held the position of Executive Vice President and Head of Credit Division at the Head office of the Arab Bank in Jordan since 2010. He previously worked in several executive positions at the Bank, where he held the position of Executive Vice President – Global Head of Corporate and Investment Banking from 2007 to 2010.

Mr. Al Ghanamah occupied several positions between 1976 and 2010 across major regional banks, including the Saudi American Bank, Riyadh in the Kingdom of Saudi Arabia, the United Saudi Bank and the Banque Saudi Fransi. He also worked at the Gulf International Bank in Bahrain and Cairo Amman Bank in Jordan.

Mr. Al Ghanamah has over four decades of experience in the banking and management field. He is a member of several Boards of Directors, including the Islamic International Arab Bank, where he holds the position of Deputy Chairman of the Board, as well as the Arab National Bank in Saudi Arabia, the Arab Bank in Syria and T-Bank in Turkey. He is also a Chairman of the Supervisory Board of Arab National Leasing Company, Jordan and Deputy of Supervisory of AB invest in Amman, Jordan. He holds a Bachelor of Science degree in Mathematics from King Saud University in Riyadh, Saudi Arabia and a Diploma in Computer Programming from London.

## Mr. Yasir Badri - Board Member



Mr. Yasir Badri is part of the Direct Investments team at Mubadala Investment Company – a sovereign investment arm of the Abu Dhabi government, managing a diverse portfolio of assets and investments worth more than USD 230 billion in the UAE and abroad. He has been with Mubadala since 2009 and currently serves as a Vice President in the Financial Services unit, focused on executing Mubadala's investment strategy in the space through fund, private, and public investments. Prior to his role in Financial Services, Mr. Badri worked in the corporate Mergers and Acquisitions team, responsible for providing transaction execution support to multiple investment units at Mubadala. Before that, he worked in the financial risk management department under Mubadala's corporate treasury.

Mr. Badri holds a Bachelor's in Science of Finance degree from the American University of Sharjah (AUS). He is also a certified Chartered Financial Analyst (CFA) since 2013.

## 2. Board Committees

The terms of references of the Committees are set out in Part 1.

The structure of the Board Committee is as follows.

**Table 1**

S.N	Director Name	/Independent Independent	*Committee	Executive in OAB	Representing
1	Mr. Rashad Al Zubair	Independent	BRSC – Deputy Chairman	No	Self
2	Mr. Wahbe Tamari	Non-Independent	BRSC Chairman	No	Arab Bank
3	Mr. Imad Sultan	Independent	BCRC Deputy Chairman BAC Member	No	Self
4	Mr. Abdul Aziz Al Balushi	Non-Independent	BRSC Member BCC - Member	No	OMINVEST
5	Ms. Randa El Sadek	Non-Independent	BCC - Deputy Chairman BRCS - member	No	Self
6	Mr. Walid Samhouri	Non-Independent	BCRC - Chairman BCC - Member	No	Self
7	** Mr. Mohammed Al Ghanamah	Non-Independent	BAC - Deputy Chairman	No	Self
8	Mr. Nasri Malhamé	Independent	BAC – Chairman	No	Self
9	Mr. Yasir Badri	Independent	BCRC – Member	No	Self

\*CC: Credit Committee, RSC: Remuneration and Selection Committee, BAC: Board Audit Committee, CRC: Compliance and Risk Committee.

\*\* Mr. Ghassan resigned from the Board on 29/7/2021, the resignation accepted by the Board on 12/8/2021, Mr. Mohammad Al Ghanamah Joined the Board on 23/8/2021

The members of the Committees together with the number of meetings held in 2021 and attended by each member are set out in the Table 2, below.

**Table 2**

Director	Board Meetings		Credit Committee		Audit Committee		Compliance and Risk Committee		Remuneration and Selection Committee	
	(Note 1)		(Note 2)		(Note 3)		(Note 4)		(Note 5)	
	No. of meetings held	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held
Rashad Muhammed Al Zubair	5	5	10	10	-	-	-	-	2	2
Wahbe Tamari	4	5	-	10	-	-	-	-	2	2
Abdul Aziz Al Balushi	5	5	9	10	-	-	-	-	2	2
Walid Samhouri	5	5	10	10	-	-	4	4	-	-
Randa El Sadek	5	5	10	10	-	-	-	-	2	2
Imad Sultan	5	5	-	10	6	6	4	4	-	-
Ghassan Tarazi	2	5	-	10	1	6	1	4	-	-
Nasri Malhamé	5	5	-	10	6	6	-	-	-	-
Yasir Aqil Badri	5	5	-	10	-	-	2	4	-	-
Mohammed Al Ghanamah	1	5	-	10	2	6	-	-	-	-

Directors' attendance record:

**Note 1** Board Meetings were held on – 28th January, 7th March, 11th May, 12th August, and 11th November during 2021.

**Note 2** Credit Committee meetings were held on – 12th January, 23rd February, 23rd March, 25th April, 23rd May, 23rd June, 1st & 30th August, 26th September and 24th October during 2021.

**Note 3** Audit Committee meetings were held on 26th January, 24th February, 19th July, 11th August, 10th Nov and 1st December during 2021.

**Note 4** Compliance and Risk Committee were held on 9th May, 9th August, 14th November and 14th & 15th December during 2021.

**Note 5** Remuneration and Selection Committee meetings were held on 12th August and 28th September during 2021.

### 3. Remuneration and sitting fees

The Directors' remuneration is governed as set out in the Regulation for Public Joint Stock Companies, the Commercial Companies Law and regulations issued by the Central Bank of Oman.

An amount of RO 141,000 is proposed as Board Remuneration, in addition to the sitting fees RO 57,500 for the meetings of the Board of Directors and its committees for the year 2021. These are subject to the Annual General Meeting approval proposed to be held on March, 28, 2022.

The following table provides details of the proposed remuneration and sitting fees for the year 2021:

Table 3

Director's Name	(Sitting Fees (RO	(Remuneration (RO	(Total (RO
Rashad Muhammed Al Zubair	8,500	30,000	38,500
Wahbe Tamari	3,000	12,000	15,000
Abdul Aziz Al Balushi	8,000	15,000	23,000
Walid Samhour	9,500	15,000	24,500
Randa El Sadek	8,500	15,000	23,500
Imad Sultan	7,500	15,000	22,500
Mohammed Ghanamah	1,500	3,000	4,500
Ghassan Tarazi	2,000	6,000	8,000
Nasri Malhamé	5,500	15,000	20,500
Yasir Aqil Badri	3,500	15,000	18,500
<b>Total</b>	<b>57,500</b>	<b>141,000</b>	<b>198,500</b>

The remuneration paid to the top five key management personnel of the Bank for 2021 is RO 1,067,187 (2020: RO 1,188,161).

No stock options are available to Directors or the executives of the Bank. The Executives are required to provide 30-60 days' notice should they wish to resign.

## 4. Profile of Senior Management

### Mr. CB Ganesh - Acting Chief Executive Officer

Mr. CB Ganesh joined OAB as Deputy CEO in February 2021 and was made Acting CEO from August 2021.



Mr Ganesh is an entrepreneurial and financially astute executive with an exemplary track record of building brands, improving profitability and creating stakeholder value. He has a vast global banking experience of more than 30 years, spanning across India, Hong Kong, UAE and Oman. Mr Ganesh, an alumnus of MIT-Sloan (USA) and IIM-Calcutta (India), also holds Masters in Bank Management and Masters in Commerce degrees. He is also an Non-Executive Director Diploma holder from Financial Times (FT-NED).

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

Mrs. Al Zadjali was appointed Head of Banking Operations Group in May 2019. Holding a Master's in Business Administration from the University of Strathclyde. She is the Chairperson of Strathclyde Oman Alumni. Ms.



Al Zadjali has over 19 years of experience working in large companies and banks. In her time at the Bank, she has been instrumental in the centralization 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 improve the turnaround times. She has also led the remedial, recovery and legal department

teams, improving collection processes. Furthermore, she graduated from the National CEO Program (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 program.

## Mr. Ahmed El Damaty - Chief Financial Officer



Mr. Ahmed El Damaty, was appointed as CFO on 24th Oct, 2021. Mr. Ahmed has more than 21 years of experience in Finance. Before joining OAB, Mr. Ahmed served as the CFO of a local Bank and he also worked in the same field with other international banks outside the Sultanate. Mr. Ahmed holds a Bachelor degree in Accounting from Ain Shams University in Cairo. He is also a qualified CFA

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



Mr. Al Salt Al Kharusi is has been the General Manager & Head of Corporate Banking & Institutional Banking since 2015. After completing his BSc. (Joint Honors) in Business Administration Management & Information Systems in Oxford Brookes University, UK, he joined HSBC Bank Oman as Credit Officer in 2001 moving his way up to become the Head of Corporate Banking in 2013. He has won a number of awards such as the regional HSBC super achiever award in the Middle East region in 2007, super achievement

awards with HSBC for highest cross sales, non-funds income growth and net return generated for the Bank in Corporate Banking in 2006 & 2007.

He was involved in many training courses and workshops that helped advance his career. Some of the training courses include Finance of International Trade, Asset & Liability Management Course, and Global Relationship Management Workshop. Al Salt has an MBA degree from Strathclyde University UK.

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



Mr. Sulaiman Al Hinai was appointed as Head of Treasury, Investments & Government Relations in July 2017. He is a treasury professional with regional expertise and experience spanning twenty three years in commercial banking and treasury with various local and regional banks including, Doha Bank, Qatar, Oman International Bank, Muscat and Ahli Bank SAOG, Oman.

He has earned a Banking Diploma in 2001 from Arab Academy for Banking and Financial Sciences in Jordan. He has also involved in various courses and workshops that helped elevate him in his career.

## Mr. Rashad Al Shaikh - Head of Retail Banking Division



Mr. Rashad Al Shaikh the Head of Retail Banking Division in Oman Arab Bank and has over 17 years of banking experience in various fields from Corporate Banking to Project Finance, Investment Banking and Retail Banking. He has extensive experience in policy setting and is 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. Rashad holds a B.S. in Business Administration

from the University of Central Florida, Orlando, USA.

## 5. Internal Controls Review

The Board ensures maintaining a strong and effective control environment by developing comprehensive sound policies, plans and procedures that cover all the activities of the Bank in line with governing regulations, and ensure that the same is circulated to all Bank employees. The Board has also established various sub-committees, such as Board Audit Committee and Board Compliance and Risk Committee, to ensure the effectiveness of systems of internal controls and management of various potential risks. Under the oversight of these Committees, Internal Audit and other control functions review and evaluate the adequacy and the effectiveness of the Bank's systems and internal controls on an ongoing basis. Outcomes of such reviews are communicated to all relevant stakeholders, and are followed up and monitored to ensure effective and efficient resolution of gaps identified in order to manage and/or mitigate potential risks.

**Internal Audit Charter:** The Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Division of the Bank. It supports positioning the Internal Audit Division as an independent and objective assurance and consulting activity to improve and add value to the Bank's operations, and help achieve its objectives by adopting a systematic and disciplined approach to evaluate and help enhance the effectiveness and efficiency of internal controls.

## 6. Related Party Transactions:

The Board of Directors in its drive to mitigate the risks of the influence of related parties on the integrity of the Bank's transactions and its financial position, and in order to implement the highest degree of transparency and clarity when dealing with the related parties has established a the necessary governance policies and processes including those governing the relationship between the Bank and its Directors and Senior Management. These policies ensure, among other things, the following:

- All related parties' transactions are undertaken on an arm's-length basis and in accordance with the prevailing regulatory requirements issued by the Central Bank of Oman and the Capital market Authority.
- Directors and Senior Management neither take part in the discussions and nor participate in the voting process over resolutions pertaining to them and their related parties.
- Related parties' transactions are reviewed by the Board Audit Committee prior to submission for the Board and or shareholders (AGM) for their appropriate action.
- All related party transactions are subject to annual review by the Internal Audit Department.
- All related parties are disclosed in the annual report.

Furthermore, the related party transactions are subject to the Central Bank of Oman and the Capital market Authority review.

## 7. Controlling and Managing Risk

### Approach to Risk Management

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



The Bank recognizes four main types of risk:

- Credit risk, being the risk of financial loss from the failure of customers to honor fully/partially the terms of their contract;
- Market risk, being the risk to earnings from changes in market factors such as interest and foreign exchange rates, or liquidity and funding profiles;
- Operational risk being the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition encompasses legal risk, but excludes strategic, reputational risk; and
- Information security risk, being the probable frequency of financial, reputational or other damage to information assets, arising from a cyber-attack or breach within the system's/network.

The Board recognizes that these risk categories are interlinked and therefore it takes an integrated approach to manage them. The Bank has comprehensive risk principles/controls that apply to each category of risk.

The risk management function aims at ensuring that:

- the Bank operates its key risk activities within acceptable risk/reward parameters through establishment as well as maintenance of policies and procedures
- the trend and magnitude of risk is adequately identified, measured, monitored and controlled.

## **Risk Management Roles and Responsibilities**

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

In order to effectively manage various risks in the business, the Bank 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 and Risk Committee of the Board.

## **8. Compliance:**

The Bank is committed to comply with the laws and regulations issued by the Central Bank of Oman, the Capital Market Authority and other local authorities. The Bank also strives to implement the internationally accepted best practices relating to the functions of banks. In this regard, the Bank maintains constructive and transparent relationship with the regulators, shareholders, customers and all other stakeholders. The Bank has developed framework of Bank governance, which included governance policy, relations with the related parties, disclosure policy and professional code of conduct for both directors and employees. The Bank has also developed various policies and procedures to maintain effective practices for compliance risk management and to build and maintain strong compliance culture.

## **Non-compliance of Corporate Governance and Penalties**

The Bank has complied with all regulatory requirements except for few instances during the last three years. The Bank has taken necessary corrective action to ensure compliance in the future. The total penalties incurred during the past three years is RO 58,000 for non-compliance with the CBO regulations relating to classification, credit restructuring and deferment scheme.

## 9. Communication with Shareholders, Regulators and Wider Market

The Bank is committed to provide all shareholders comprehensive and equal access to information about the Bank's activities, and to fulfil our continuous disclosure obligations to the Central Bank of Oman and Capital market Authority.

The Bank's website [www.oman-arabbank.com](http://www.oman-arabbank.com) includes annual reports, quarterly financial statements, briefings and presentations given by the CEO and other executives, public announcements and economic updates.

We confirm the following:

- Availability and accessibility of quarterly results to the shareholders.
- Quarterly results and the annual report are posted on the Bank website [www.oman-arabbank.com](http://www.oman-arabbank.com).
- The website displays all official Bank information releases.
- Management Discussion and Analysis (MD&A) forms part of the annual report.

## 10. Dividend Policy

The Bank's Dividend Policy complies with CBO's guidance and adopted to:

- Establish provisions that support the Bank's financial position.
- Pay cash dividends to the shareholders appropriate to their investment.
- Retain sufficient provisions that support the future growth of the Bank operations and strengthen its position in case of any unexpected crisis.
- Strike a balance between the retention of some earnings appropriate to the economic conditions and the understandable desire of shareholders for immediate and high returns.

## 11. Market Price Data

On 6 July 2020, Oman Arab Bank SAOC became a listed Bank and the name was changed from Oman Arab Bank SAOC to Oman Arab Bank SAOG. Consequently, the ordinary equity shares of the Oman Arab Bank SAOG were listed on Muscat Securities Market (MSM).

The following are the major shareholders who own more than 5% of the Bank as at 31 December 2021:

Sr. No	Shareholder	Percentage of ownership
1	Arab Bank PLC - Jordan	49.00%
2	(Oman International Development and Investment Company (OMINVEST	31.63%

Arab Bank Plc is a publicly held company and listed on the Amman Stock Exchange, Jordan and OMINVEST is a public joint stock company listed on the Muscat Securities Market. The General public holds the remaining 19.37%.

The high/low share price information of the Bank during the financial year ended 31 December 2021 and Muscat Securities Market Financial Index movement is as follows:

#### Oman Arab Bank Share Price

Month	High	Low	Close
Jan-21	0.150	0.150	0.150
Feb-21	0.153	0.152	0.152
March-21	0.150	0.150	0.150
April- 21	0.150	0.150	0.150
May-21	0.152	0.152	0.152
June-21	0.186	0.185	0.186
Jul-21	0.185	0.185	0.185
Aug-21	0.185	0.185	0.185
Sep-21	0.185	0.185	0.185
Oct-21	0.168	0.165	0.166
Nov-21	0.161	0.161	0.161
Dec-21	0.160	0.160	0.160

#### Financial Index movement

Month	High	Low
Jan-21	5532.58	5462.25
Feb-21	5431.97	5408.25
March-21	5702.91	5671.29
April- 21	5826.87	5799.32
May -21	5979.85	5933.97
June -21	6494.99	6465.09
Jul-21	6470.90	6445.91
Aug-21	6323.31	6315.14
Sep-21	6242.58	6204.37
Oct-21	6427.25	6399.55
Nov-21	6546.00	6371.89
Dec-21	6618.50	6577.92

## 12. Perpetual Tier 1 Capital Bonds

The Bank successfully issued USD 250 million Additional Tier-1 Perpetual Bonds, listed on the International Securities Market (ISM) of the London Stock Exchange on June 7, 2021. This is the first issue of its kind for OAB in foreign currency and is also the first international issuance of public AT1 (Additional tier-1 bonds) in the last 3 years from Oman.

### 13. Profile of the Statutory Auditors

The shareholders of the Bank appointed KPMG as its auditors for 2021. KPMG LLC in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 150 people, among whom are five partners and seven directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 145 countries and territories and has 236,000 people working in member firms around the world. KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms.

#### Audit fees

The professional fees paid or payable to KPMG for the financial year 2021 is OMR RO 108,600 for their audit and related services.

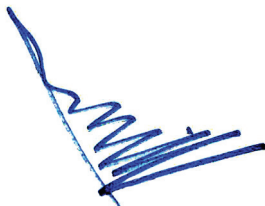
### 14. Other Matters

The last Annual General Meeting was held on 28th March 2021. The meeting was conducted as per statutory requirements and attended by the Chairman, Mr. Rashad Muhammed Al Zubair and all other members of the Board of Directors Except Mr. Abdul Aziz Al Balushi.

### 15. Acknowledgment by the Board

The Board of Directors acknowledges its responsibilities and confirms that:

- i. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB), the requirements of the Commercial Companies Law of 2019, the disclosure requirements of the Capital Market Authority of the Sultanate of Oman and the applicable regulations of the Central Bank of Oman (CBO).
- ii. The Bank has adequate internal controls and procedures which are reviewed regularly through internal audit and overseen by the Audit Committee of the Board.
- iii. There are no material matters that could possibly affect the continuation of the Bank's ability to continue its operations during the next twelve months.



**Rashad Al Zubair**  
Chairman



**CB Ganesh**  
Acting Chief Executive Officer

AGM  
REPORT  
2021



Management  
Discussions and  
Analysis



بنك عُمان العربي  
OMAN ARAB BANK



# Management Discussions and Analysis

## Oman Arab Bank at a Glance

Oman Arab Bank was established in 1984 following the acquisition of Arab Bank's branches in the Sultanate of Oman (Arab Bank had been operating in Oman since 1973). In 1992, we expanded our operations with the acquisition of all Omani European Bank's retail branches. In 2020, we acquired Alizz Islamic Bank (AIB) merging our Islamic banking window with Alizz Islamic Bank, and Oman Arab Bank became a public joint-stock company (SAOG), with shares listed in the Muscat Securities Market. Oman Arab Bank SAOG (the Bank) is a subsidiary of Arab Bank, one of the largest global Arab banking networks with operations spanning five continents. The Bank is owned by Arab Bank (49.00%), Oman International Development and Investment Company SAOG (31.63%) and other individual and corporate investors (19.37%). This analysis will cover OAB and its subsidiary AIB.

## Operating Environment

Higher oil prices since 2020 lead to a significant easing of government liquidity and external financing pressures in 2021. The Government continued its implementation of the Medium-Term Fiscal Plan, which together with the high oil prices, is expected to improve the government's debt levels. This has been evident through the improvement of the budget deficit, which is estimated to be 3.8% of the gross domestic product (GDP) in 2021 as compared to the significant deficit of 19.3% in 2020.

On the other hand, the banking sector's profitability remains under stress mainly due to the low-interest-rate environment and the high cost of deposits. The sector is also being challenged by rising non-performing loans. Local banks continue to play an important role in the country's financial system with government deposits and shareholdings remaining at significant levels in several banks.

## Financial Performance Analysis

The comparable figures for the consolidated income statement reflect the results of the standalone parent company (including six months of its Islamic window) and six months of Alizz Islamic Bank results.

Despite the economic challenges of 2021, the Bank's operating income increased by 19% from OMR 101.9 million in 2020 to OMR 121.6 million in 2021. On the other hand, net profit declined from OMR 14.2 million in 2020 to OMR 7.1 million in 2021 due to the prudent approach taken by the management towards building adequate provisions against customer credit facilities. Considering the prevailing economic conditions, the Board of directors did not distribute dividends for the year ended 31 December 2021. The financial results are further analysed as follows:

**Net interest income and income from Islamic Financing** increased by 10.5% to OMR 89.5 million driven by strong growth from our Islamic operations. This was partially offset by the increased cost of conventional customer deposits..

**Net fee and commission income** was OMR 17.2 million in 2021 compared to OMR 15.5 million in 2020 with the increase driven by a healthy growth in our transactional banking fees, both on the conventional and Islamic side.

**Other operating income and net income from investment securities** grew from OMR 5.4 million in 2020 to OMR 14.8 million in 2021 owing mainly to the receipt of OMR 5.9 million from the insurance claim related to the fraud incident that took place in 2020. OMR 3.1 million gained on sale of investments.

**Operating expenses** increased from OMR 65.4 million in 2020 to OMR 78.5 million in 2021 due to the consolidation of twelve months of AIB in 2021 compared to six months in 2020.

**Net allowances for credit losses** amounted to OMR 35.2 million in 2021 compared to OMR 18.6 million in 2020. The increase was driven by higher provisions of OMR 13.5 million in the corporate banking segment and OMR 2.3 million in Islamic banking.

**Net loans and financing to customers** grew by 4.1% (OMR 108 million) to reach OMR 2,753 million as of 31 December 2021, supported by a growth of OMR 84 million and OMR 24 million in our Islamic and conventional banking segments respectively.

**Customer deposits** increased from OMR 2,755 million in 2020 to OMR 2,810 million in 2021 due to a strong growth in Islamic deposits.

The total capital position improved significantly through the issuance of USD 250 million Additional Tier 1 Perpetual Bonds in 2021. **The capital adequacy ratio** increased from 15.42% at the end of 2020 to 17.75% as of 31 December 2021.

## Corporate Banking

We offer a range of corporate financial solutions to small and medium enterprises, large corporates, Government entities and Semi Government entities including project financing, payments and cash management solutions, term deposits, working capital finance, terms loans contracts and equipment finance, and other trade products.

We constantly strive to enhance our customers' banking experience by offering our banking services through various digital channels so that they can manage their finances on-the-go, anytime, anywhere.

## Retail Banking

### Overview:

- We are committed to delivering an easier, simpler and consistently superior customer experience across all our customer touch points, with a strong focus on developing a consolidated market position despite the challenging macroeconomic environment.
- We provide services to individuals under our Elite, Advantage and Youth Propositions as well as for customers who have day-to-day banking needs.
- In 2021, we launched a new proposition for the upper mass segment 'Advantage', which offers a unique set of features such as cashback on debit card spends and higher returns on savings.
- We continue to invest in transforming our delivery channels to achieve higher efficiencies and provide customers with a richer, more convenient experience.
- These investments and developments have resulted in an unprecedented increase in transaction volumes on the OAB mobile banking app and internet banking platform. We expect to continue to see an increase in adoption rates in 2022 and internet banking. As of Dec 31, 2021, 50 branches operating in Oman, over 150 Automatic Teller Machines (ATMs). Now live across the Sultanate, OAB customers with NFC enabled

cards can simply 'Tap' their Debit Card on any OAB ATM sensor to complete a faster, hygienic and more secure transaction.

- Products: Hasaad Savings Account, Child Education Saving Plan, Growth Account, Fixed Deposit Account, Hasaad Savers, Youth Account.
- The Bank also offers Shari'a-based current accounts, savings accounts and time deposits through Alizz Islamic Bank.

## **Merchant Services and Corporate payment Cards**

Services offered: POS cards acquiring and e-Payment gateway.

Corporate Cards: Visa Tejarti prepaid card for secure government payments and MasterCard corporate credit card for company employees, hassle-free process.

OAB is one of the largest acquirers of Visa and Master Cards in Oman with state-of-the-art POS terminals deployed across the Sultanate. We offer both traditional ADSL and the latest android wireless GSM/4G internet-based point of sales machines at competitive discount rates.

## **Bancassurance**

The Bank has an exclusive tie-up with National Life & General Insurance Company to offer the following insurance policies as an agent: Motor Insurance, Health Insurance, Travel Insurance, Home Contents Insurance, and Comprehensive Personal Insurance.

## **Treasury**

We offer our customers a wide range of treasury products and solutions while protecting them against unforeseen risks in the treasury business, through a specialised and highly experienced team, supported by our strategic partner Arab Bank Plc.

We have an active dealing room that works to serve the needs of the customer and provide them with global treasury solutions such as:

## **Foreign Exchange**

We cater to all foreign exchange requirements. Clients with currencies exposure can benefit from expert advice, competitive pricing, forward swaps and treasury. The Bank also monitors clients' large currency orders around the clock.

## **Money Markets**

We offer a wide range of deposit products on local currency and all other major currencies for various tenures. Also on offer are an array of interest rate hedging solutions.

## **Derivative and hedging solutions**

We offer various Derivative products to help clients manage risk arising on account of volatility in foreign currency as well as interest rates risk. Our robust systems and experienced team provides competitive pricing and quick turnaround for deal execution. Product offerings include Vanilla Currency Options and Interest Rate Swaps.



## Alizz Islamic Banking at a Glance

Alizz Islamic Bank SAOC was incorporated in Oman, as a public joint stock company to carry out banking activities in accordance with the principles of Islamic Shari'a. The Central Bank of Oman "CBO" issued an Islamic banking license to the Bank on the 5th of September, 2013 and the Bank commenced its operations on the 30th of September 2013. On the 30th of June 2020, Oman Arab Bank SAOG acquired Alizz Islamic Bank's shares becoming the subsidiary of the Parent Company. Following the acquisition, Alizz Islamic Bank's shares were de-listed from the Muscat Securities Market "MSM".

The Bank has established its Enterprise Risk Management "ERM" framework in accordance with the requirements of Basel accord and Islamic Banking Regulatory Framework issued by the Central Bank of Oman "CBO".

Basel II Pillar III disclosures include qualitative and quantitative information about the Bank's ERM framework, Shari'a governance and capital adequacy. Certain corresponding figures have been re-classified in order to conform to the presentation for the current year. Such re-classification does not affect previously reported losses or owners' equity.

### Overview

- Following the acquisition of Alizz Islamic Bank by OAB, Al Yusr (formerly OAB's Islamic banking window) was integrated with Alizz Islamic Bank. The Bank's Islamic Banking Operations, financial services and products are all Shari'a compliant.
- Alizz Islamic Bank aims to be the leader in the provision of Islamic financing solutions in Oman, providing corporate and retail banking solutions to its customer base.
- Alizz Islamic Bank has its own Board of Directors, independent Sharia Supervisory Board, separate business infrastructure, employees and systems.
- Alizz Islamic Bank provides Islamic banking products for both Corporate and Retail customers.
- Separate Shari'a Supervisory Board reviews activities, provides necessary guidance, monitors compliance with Islamic Principles, and approves all Islamic banking products prior to their launch.
- Separate Islamic Risk Management, Compliance, Asset and Liability Committees to review the Bank's Islamic banking activities.

### Products and Services Offered

Alizz Islamic Bank offers various financial products based on:

- Murabaha
- Ijarah
- Mudaraba
- Musharaka
- Diminishing Musharakah
- Wakala
- Takaful Insurance solution
- Islamic Banking Assets stood at OMR 974 mn in 2021 compared to OMR 866 mn in 2020.
- Gross (financing) Loans - Islamic Banking amounted to OMR 829 mn in 2021 compared to OMR 739 mn in 2020.
- Gross Financing stood at OMR 829 mn in 2021 compared to OMR 739 mn in 2020.

## Operations

We have made good progress on the automation and centralisation of processes throughout the year. We have also reviewed and enhanced Service Level Agreements and Turnaround Times to deliver a superior customer experience across all customer touchpoints. Automating and centralising its processes during the year. One of our key priorities was to strengthen the control environment by reviewing bank-wide policies, procedures and introducing desktop procedures. Control items related to transaction-level reconciliation, account ownership, and vendor management have been automated leading to tighter vigilance and monitoring of internal controls.

We have also maintained a stringent cost optimisation approach across the organisation by measuring and monitoring staff productivity, cost per transaction for all processes, and enhancing the procurement process.

To support these strategic objectives, we have also streamlined the project implementation process and centralised it into a single unit. This has helped fast track the development process and reduced costs significantly. We are also working on key regulatory projects including RTGS Upgrade, GCC RTGS, BUNA implementation, IBAN Implementation, and ITRS reporting.

## Human Resources

We have integrated multiple training programs that focus on building an “Agile” institution that can adapt to rapidly changing environments. In streamlining workflows across the company, we have created a dynamic culture that fosters creative, innovative thinking. We are also implementing upskilling programmes for employees to provide long-term learning and career growth within the bank. To ensure the safety of employees, we continued to allow staff to work remotely according to the Supreme Committee directives.

In parallel, Alizz Islamic Bank recruits talented and ambitious Omani nationals and provides appropriate training in Islamic Banking and other programmes to prepare employees for future leadership roles, in line with Oman Vision 2040.

COVID-19 vaccination campaign for the Bank’s employees and their families

In line with our commitment to safeguard the health and safety of our employees, we rolled out an internal vaccination campaign. In 2021, OAB and Alizz Islamic Bank, in coordination with the Ministry of Health, provided vaccines to the Bank’s employees and their family members above 12 years of age. This initiative was well received by employees and their families.

## Compliance

We are committed to adhering with the laws and regulations issued by the Central Bank of Oman, the Capital Market Authority and other Government authorities. To fulfil our commitments, we have created an independent compliance department that reports to the board. The Compliance Division advises the board, management and staff on managing compliance risks and fostering a sound compliance culture across the Bank. It proactively identifies, assesses, monitors and reports the Bank's compliance risks.

Furthermore, we are committed to combating money laundering and terrorism financing. In this regard, it has taken adequate and effective measures to ensure that our products and services are not misused for the purpose of money laundering and terrorism financing. We are also committed to ensuring adherence with the local and international sanctions imposed on individuals, entities and countries.

To carry out our responsibilities effectively and efficiently, the Division is manned with qualified resources and equipped with robust systems.

## **Business Continuity Planning (BCP)**

On the 1<sup>st</sup> of October 2021, the National Multi-Hazard Early Warning Centre issued the first alert through the 'Civil Aviation Authority' on the formation of a tropical cyclone (Shaheen). The business continuity processes were activated as a preliminary precautionary measure in the head office and throughout all the Bank's branches. The Crisis Management Committee (CMC) developed different measures to combat the impact of the storm. The committee had multiple meetings to evaluate the implementation of safety measures.

Below are the various actions that were taken:

- Contacted staff through different channels to instruct them about the necessary safety measures that need to be adopted.
- Provided temporary accommodation for affected employees and their families.
- Provided financial support to affected employees.
- Three months of retail loan deferment to customers in areas severely impacted by Cyclone Shaheen.
- The Bank prioritised actions for the branches and locations of the ATMs.
- Oman Arab Bank and Alizz Islamic Bank allocated funds for relief measures.
- Supported affected families from North and South Al Batinah by donating furniture and basic household necessities.

## **Sustainability at OAB**

The Bank issued its first GRI-certified sustainability report aligned with the United Nations sustainable development goals and Oman Vision 2040. OAB is only the third Bank in the Sultanate to achieve this distinction. The report highlights the Bank's achievements with regards to Environment, Social and Governance related matters in a detailed quantitative manner.

We started 2021 by collaborating with 12 talented Omani photographers to produce the Bank's first eco-friendly desk calendar made entirely of recycled paper and vegetable ink. The initiative managed to provide great exposure for these young talents through a dedicated social media campaign. Throughout the year, we also lead several awareness campaigns on environmental responsibility highlighting the different native flora and fauna at risk in Oman and tips on how to lead a more eco-friendly life. The Bank also sponsored The Environment Society of Oman's virtual fundraiser for the second consecutive year.

At Oman Arab Bank, we believe in the availability and equality of opportunities to access financial services and that is why financial inclusion is one of our sustainability pillars. It is not enough to provide access to these products and services, we also need to educate and advise the public to make sure that they make use of these opportunities. It is for this reason that we held a financial management workshop for members of the Omani Women's Association. We also partnered with the Oman Banks Association for a financial inclusion campaign that ran from the end of April to mid-May. We also created our own social media content explaining what financial inclusion is to the uninitiated.

Oman Arab Bank has had a strong relationship with several non-profit organisations over the years and 2021 was no different. We're reaffirmed our relationship with our charity partners in 2021. All our partners can be found and donated to through our OAB app. During Ramadan, we also ran an awareness campaign with our partners and set up competitions with all proceeds being donated to the charities.

Throughout the year we collaborated with several other private and public entities on initiatives such as: supporting students financially with their studies and providing medical equipment to those in need, just to name a few.

Due to climate change, Oman saw several natural disasters in 2021 such as the flooding in Sur and then North Batinah, followed by Cyclone Shaheen. For Sur and North Batinah, we donated to the Ministry of Social Development to ensure that the aid reached those who needed it most. We also provided the Ministry with a list of some SMEs from the affected areas that specialised in construction, so they too can benefit. For Cyclone Shaheen, Oman Arab Bank and Alizz Islamic Bank allocated OMR 300,000 as relief for those in need.



بنك عمان العربي  
OMAN ARAB BANK