



Oman Arab Bank SAOC
PO Box 2010, PC 112, Ruwi
Sultanate of Oman
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**Issue through Private Placement of 30,000,000 Perpetual
Subordinated Bonds (Additional Tier 1 Capital Instrument)**
at an issue price of RO 1.000 per Bond (Comprising of RO 1.000 as face value)

Private Placement

Issuer Credit Rating:

Moody's: Baa2 Outlook: Stable (Foreign Currency Deposit & Local Currency Deposit)
Capital Intelligence: BBB Outlook: Negative (Foreign Currency Deposit –Long Term)

Offer Period:

Issue Opens: 26th December 2016 and Closes on 27th December 2016

Issue Manager:



PO Box 2010, PC 112, Ruwi, Sultanate of Oman
Tel: 24654301 Fax: 24125125

Registrar & Trustee:

Muscat Clearing and Depository Co. SAOC
PO Box 952, Ruwi, PC 112, Sultanate of Oman
Tel: 24822222 Fax: 24817491

Collecting Bank:

Oman Arab Bank SAOC

Legal Advisor: Curtis, Mallet-Prevost, Colt & Mosle LLP

Bank's External Auditor: Ernst & Young LLC

This Prospectus has been prepared in accordance with the requirements as prescribed by the Capital Market Authority (the "CMA"). This is an unofficial English translation of the original Prospectus prepared in Arabic and approved by the CMA in accordance with Administrative Decision no. Kh/107 dated 25th December 2016. The Capital Market Authority assumes no responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus nor will 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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IMPORTANT NOTICE TO INVESTORS

The objective of this Prospectus is to present material information that may assist investors to make an appropriate decision as to whether or not to invest in the securities offered.

This Prospectus includes all material information and data and does not contain any misleading information or omit any material information that would have a positive or negative impact on the decision of whether or not to invest in the securities offered.

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

All investors should examine and carefully review this Prospectus in order to decide whether it would be appropriate to invest in the securities offered by taking into consideration all the information contained in this Prospectus in its proper context. Investors should not consider this Prospectus as a recommendation by the Issuer, by the Directors or the Issue manager as to buy the offered securities. Every investor shall bear the responsibility of obtaining independent professional advice on the investment in the offered securities and shall conduct independent valuation of the information and assumptions contained herein using appropriate analysis or projections.

No person has been authorized to make any statements or provide information in relation to the Issuer or the offered securities other than the persons whose names are indicated in this Prospectus to do so. Where any person makes any statement or provides information it should not be taken as authorized by the Issuer or the Issue Manager.

Forward-Looking Statements

This Prospectus 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 differ from the way implicitly portrayed with this Prospectus. The use of any of the words “anticipate”, “continue”, “estimate”, “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. The Bank 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 the Bank’s estimates as of any subsequent date.

The Bank cautions investors that a number of 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:

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- level of demand for the Bank's products and services;
- the competitive environment;
- regulatory, legal and fiscal developments;
- Fluctuations in foreign exchange rates, equity prices or other rates or prices;
- Inability to estimate future performance;
- performance of the Omani economy; and
- Other factors described in the Section titled "Risk Factors and Mitigants" of this Prospectus.

The Bank cannot provide any assurance that forward-looking statements will materialize. The Bank, the Issue Manager 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 securities laws. For a description of material factors that could cause the Bank's actual results to differ materially from the forward-looking statements in this Prospectus, see section titled "Risk Factors and Mitigants" of this prospectus. The risk factors described in this Prospectus are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the forward-looking statements.

Currency of Presentation: All references to "Rials" or "RO" are to Omani Rials, the official currency of the Sultanate of Oman. The Omani Rial is pegged to the US Dollar and the pegged exchange rate is 1 USD = 0.3845 OMR, 1 OMR is composed of 1000 Baizas.

Industry and Market Data: Industry and market data in this Prospectus has been obtained from third parties or from public sources such as websites and publications. Neither the management of the Bank nor the Issue Manager has independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying assumptions relied upon by such sources. In addition, the Issue Manager has not independently verified any of the industry data prepared by management of the Bank.

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DEFINITIONS AND ABBREVIATIONS

Additional Tier 1 Capital	The capital qualifying as, and approved by the Regulator as, additional tier 1 capital in accordance with the Capital Regulations
Applicable Regulatory Capital Requirements	Any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Bank, including transitional rules and waivers granted in respect of the foregoing.
Application Form	The application form to be filled by investor to subscribe for Bonds of Oman Arab Bank SAOC
Articles or AOA	Articles of Association of the Issuer, as may be amended from time to time in accordance with the provisions as contained therein
Authorised Signatories	The persons listed from time to time on the Bank's signatory card registered with the Ministry of Commerce and Industry in Oman.
Bank/OAB /Issuer	Oman Arab Bank SAOC
Basel III Documents	The Basel Committee on Banking Supervision document "A global regulatory framework for more resilient banks and banking systems" released by the Basel Committee on 16 December 2010 and revised in June 2011 and the Annex contained in its document "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" released by the Basel Committee on 13 January 2011 each as revised, amended or supplemented from time to time.
Board / Board of Directors	Issuer's Board of Directors elected in accordance with the Articles
Bonds	The perpetual subordinated bonds being issued under this Prospectus.
Bondholders	A holder of a Bond issued by the Issuer pursuant to this Issue
Bondholders' Register	The register maintained by the Registrar listing the details of the Bondholders.
Bondholders' Resolution	A resolution passed at a meeting of Bondholders duly convened and held in accordance with the provisions of the Trust Deed and in accordance with the applicable provisions of the CCL
Business Day	A day in which commercial banks and the Registrar are open for general business in Oman
Call Date and First Call Date	<p>The First Call Date and every 12 months thereafter. Any Call will be exercised solely at the discretion of the Bank only after a minimum of 5 years and 1 month from the Issue Date and only with the prior written approval of the CBO.</p> <p>The First Call Date is 29th January 2022</p>

Capital Event	A Capital Event is deemed to have occurred if the Bank is notified in writing by the Regulator to the effect that the outstanding principal amount of the Bonds would cease to qualify for inclusion in the consolidated Additional Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital).
Capital Regulations	The regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Oman, including those of the Regulator (which shall include, without limitation, the Regulator's CP-1 Guidelines on regulatory capital under Basel III issued via the Central Bank circular BM1114 dated 17 November 2013);
CBO	Central Bank of Oman
CCL	Commercial Companies Law of Oman as contained in Royal Decree 4/74 and the amendments thereto.
CMA	Capital Market Authority of Oman
CMA Law or Capital Market Law	Capital Market Law of Oman as contained in Royal Decree 80/98
Collecting Bank	Oman Arab Bank SAOC
Day-count Fraction	The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Interest Period in which the relevant period falls (including the first such day but excluding the last).
Determination Date	In respect of a Reset Period, the third business day prior to the commencement of such Reset Period
Directors	A member of the Board of Directors of the Bank
Distributable Items	Distributable Items means the Bank's accumulated and realised profits as approved by CBO (to the extent not previously distributed or capitalised) less accumulated losses, all as set out in the most recent audited or (as the case may be) auditor reviewed financial statements of the Bank.
Dividend Stopper Date	Has the meaning given to it in Condition 6.6.4 (<i>Dividend and Redemption Restrictions</i>).

Event of Default	<p>Event of Default means:</p> <p>(a) Non-payment: the Bank fails to pay an amount in the nature of principal or interest due and payable by it pursuant to the Conditions and the failure continues for a period of seven days in the case of principal and 14 days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event or the Bank making a Non-Payment Election); or</p> <p>(b) Insolvency: a final determination is made by a court or other official body that the Bank is insolvent or bankrupt or unable to pay its debts; or</p> <p>(c) Winding-up: an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Bank or the Bank shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation of the Bank; or (ii) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority;</p>
First Interest Payment Date and Interest Payment Date	<p>The First Interest Payment date is 29th June 2017.</p> <p>Each 29th June and 29th December in each year, starting on and including) 29th June 2017;</p> <p>Interest will be paid to all Bondholders whose name appears on the Bondholders' Register as on the Interest Payment Date.</p>
Financial Year	The financial year of the Issuer commencing from 1st January and ending on 31st December or as may be amended by the shareholders in accordance with the Issuer's Articles of Association
Force Majeure	Has the meaning given to it in Condition 6.10 (Force Majeure)
Initial Interest Rate	Has the meaning given to it in Condition 6.5.1 (Interest Payments)
Initial Period	The period from and including the Issue Date, to but excluding the First Call Date
Interest Payment Amount	The amount of interest payable, subject to Condition 6.6 (Interest Restrictions) and Condition 6.7 (Payments), on each Interest Payment Date
Interest Period	The period from and including the Issue Date to, but excluding, the first Interest Payment Date, and each successive period from and including an Interest Payment Date to but excluding the next Interest Payment Date

Interest Rate	In respect of the first Interest Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 6.5.1 (Interest Payments)
Interest Restriction	Has the meaning given to it in Condition 6.6 (Interest Restrictions)
Issue	The issue of 30,000,000 Bonds under this Prospectus
Issue Date	29 th December 2016
Junior Obligations	All claims of the holders of Ordinary Shares.
Laws of Oman	The laws of Oman in the form of Royal Decrees, Ministerial Decisions, CMA and CBO Regulations as the same may have been, or may from time to time be enacted, amended or reenacted or issued
MCD/ Registrar/ Trustee	Muscat Clearing & Depository Co. SAOC
MOCI	Ministry of Commerce and Industry of Oman
MSM	Muscat Securities Market
Non-Payment Election	Has the meaning given to it in Condition 6.6.2 (Non-Payment Election)
Non-Payment Event	Has the meaning given to it in Condition 6.6.1 (<i>Non-Payment Event</i>)
Non-Viable	In relation to the Bank, means (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business, or (b) any other event or circumstance which is specified as constituting non-viability by the Regulator or as is set out in the applicable banking regulations;
Non-Viability Event	Means that: (a) the Regulator has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without a Write-down; or (b) a decision is taken to make a public sector injection of capital (or equivalent support) without which the Bank is, or will become, Non-Viable, For the avoidance of doubt, where the Regulator has determined that a public sector injection of capital (or equivalent support) is required, the write-down will be full and permanent, and shall occur prior to any public sector injection of such capital or equivalent support.
Non-Viability Event Write-down Date	The date on which the Write-down will take place as specified in the Non-Viability Notice, which date shall be no later than 10 Business Days (or such date as determined by the Regulator) after the date of the Non-Viability Notice
Non-Viability Notice	Has the meaning given to it in Condition 6.9 (Write-down at the Point of Non-Viability)
Obligations	Has the meaning given to it in Condition 6.4.2 (Subordination of the Bonds)

Oman	The Sultanate of Oman								
Ordinary Shares	Ordinary shares of the Bank.								
Outstanding Payments	In relation to any amounts payable on redemption of the Bonds, an amount representing any due and payable but unpaid interest for the Interest Period during which redemption occurs to the date of redemption. For the avoidance of doubt, the obligation to pay Outstanding Payments is without prejudice to the Bank's right to elect not to pay earlier Interest Payment Amounts or to the non-payment of such amounts as a result of a Non-Payment Event having occurred.								
Pari Passu Obligations	All subordinated payment obligations of the Bank which rank, or are expressed to rank, pari passu with the Obligations								
Payment Day	Has the meaning given to it in Condition 6.7.3 (Payment Day)								
Prospectus	This Prospectus								
Qualifying Additional Tier 1 Instruments	Instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) other than Ordinary Shares or Other Common Equity Tier 1 Instruments, issued directly or indirectly by the Bank that will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Additional Tier 1 Capital.								
Record Date	In the case of the payment of interest, the date falling fifteen days before the relevant Interest Payment Date and, in the case of the payment of a Redemption Amount, the date falling fifteen days before the date for payment of the relevant Redemption Amount (as the case may be).								
Redemption Amount	In the event of the Bonds being redeemed, the outstanding principal amount of the Bond.								
Regulator	Means the CBO or any successor entity having primary bank supervisory authority with respect to the Bank in Oman								
Relevant Margin	<p>The Relevant Margin is the amount shown in the following table against the tenor that is equal to the Reset Reference Tenor.</p> <table border="1"> <thead> <tr> <th>Tenor</th><th>Amount</th></tr> </thead> <tbody> <tr> <td>5 years</td><td>2.78%</td></tr> <tr> <td>6 years</td><td>2.63%</td></tr> <tr> <td>7 years</td><td>2.48%</td></tr> </tbody> </table>	Tenor	Amount	5 years	2.78%	6 years	2.63%	7 years	2.48%
Tenor	Amount								
5 years	2.78%								
6 years	2.63%								
7 years	2.48%								
Reset Date	The First Call Date and every calendar anniversary thereafter.								
Reset Interest Rate	<p>The Interest Rate applicable for each Reset Period (each a Reset Interest Rate).</p> <p>Each Reset Interest Rate will be the aggregate of the Reset Reference Rate and the Relevant Margin on the Determination Date, as determined by the Bank.</p>								

Reset Period	The 12 month period from the First Call Date to the following Reset Date, and each successive period thereafter from such Reset Date to the next succeeding Reset Date
Reset Reference Bond	<p>The Reset Reference Bond is the most recent Omani Rial Government Development Bond (GDB) issued through auction or any other Omani Rial sovereign debt issued through auction or otherwise, in the immediate 12 months preceding each Determination Date.</p> <p>In the event no Reset Reference Bond is available on account of no auction issue or bond issue in the immediate 12 month period preceding any Determination Date, or there is no tenor matching the Reset Reference Tenor, then the existing Interest Rate will continue until the next Reset Date.</p>
Reset Reference Rate	The Reset Reference Rate is the average yield at which allotment is made (in case of GDB) or the yield to maturity / first call, calculated at the announced issue price (in case of Omani Rial sovereign debt issue) for the Reset Reference Bond.
Reset Reference Tenor	The Reset Reference Tenor is the length of time in years, until the maturity date or first call date of the Reset Reference Bond.
Rial Omani or RO	Omani Rial, which is the lawful currency of Oman. Each Omani Rial is equivalent to 1000 Baizas.
Senior Obligations	The deposit holders, general creditors, holders of subordinated debt/ bonds/ sukuk of the Bank, all unsubordinated payment obligations of the Bank and all subordinated payment obligations (if any) of the Bank to which the Obligations rank, or are expressed to rank, junior.
Shareholders	The shareholders of the Bank.
Subscriber	A person who has submitted his/her undertaking and application for the subscribing the full value of the Bonds of Oman Arab Bank SAOC on allotment
Subscription Period	The period from opening and closing date for subscription to the issue (both days inclusive)
Tax Event	On the occasion of the next payment due under the Bonds, the Bank has or will become obliged to pay additional amounts of tax (whether or not a Non-Payment Event has occurred or a Non-Payment Election has been made), as a result of any change in, or amendment to or interpretation of, the tax laws, published practice or regulations of Oman or any change in the application or interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date and such requirement cannot be avoided by the Bank taking reasonable measures available to it);
Taxes	Has the meaning given to it in Condition 6.12 (Taxation)
Tier 1 Capital	The capital qualifying as, and approved by the Regulator as, tier 1 capital in accordance with the Capital Regulations

Tier 2 Capital	The capital qualifying as, and approved by the Regulator as, tier 2 capital in accordance with the Capital Regulations
Trust Deed	The trust deed being entered into between the Issuer and MCD for MCD to act as Trustee for the Bondholders
Trustee	MCD or any successor body thereto and includes all persons who may be appointed trustee under the terms of the Trust Deed to act for and on behalf of the bondholders as their representative
Write-down	<p>(a) the Bonds shall be cancelled (in the case of a write-down in whole) or written-down in part on a pro rata basis (in the case of a write-down in part) as determined by the Bank in conjunction with the Regulator in accordance with the Capital Regulations; and</p> <p>(b) all rights of any holder of Bonds for payment of any amounts under or in respect of the Bonds (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) shall, as the case may be, be cancelled in whole or written-down in part pro rata among the holders of the Bonds and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date and even if the Non-Viability Event has ended.</p> <p>For the avoidance of doubt, with respect to paragraphs (a) and (b) of this definition, the Write-down will be full and permanent where the Regulator has determined, under paragraph (b) in the definition of "Non-Viability Event", that a public sector injection of capital or equivalent support is required and shall occur prior to any public sector injection of such capital or equivalent support.</p> <p>A Write-down will only take place with the prior written approval of the CBO.</p>

1. THE OFFERING

1.1 KEY TERMS OF THE OFFERING

(This is only a summary, please read the Prospectus in full before taking any investment decision)

Issuer	Oman Arab Bank SAOC
Commercial Registration	1223518
Registered Office	PO Box 2010, PC 112, Ruwi, Sultanate of Oman
Issued & Paid-up Capital	RO 127 million (as on 30 th September 2016)
Credit Rating of Issuer	Moody's : Baa2 Outlook: Stable (Foreign Currency Deposit & Local Currency Deposit) Capital Intelligence: BBB Outlook: Negative (Foreign Currency Deposit -Long Term)
Instrument Offered	Perpetual Subordinated Bonds (Additional Tier I Capital Instrument)
Issue Route	Private Placement
Offer Size	30,000,000 (Thirty million) Bonds
Use of Proceeds	The net proceeds from the issue will be used by the Bank to increase its Additional Tier 1 Capital for the purpose of increasing its capital adequacy and for its general corporate purposes.
Denomination	Omani Rial
Nominal Value	RO 1.000 per bond
Offer Price	RO 1.000 per Bond, comprising nominal value of RO 1/-, payable in full on subscription
Maturity/ Tenor of the Bonds	The Bonds are perpetual subordinated securities in respect of which there is no fixed or final redemption date and no step-up features or other incentives for the Bank to redeem the Bonds. (Please refer Chapter 6 for further details)
Call Option	Pursuant to Condition 6.8(b) (<i>Bank's Call Option</i>), the Bank may, on 29 th January 2022 (the " First Call Date ") or on any Call Date (as defined) thereafter, redeem all, but not some, of the Bonds at the Redemption Amount subject to the prior written approval of CBO. For the avoidance of doubt, the Bank shall not do anything which creates an expectation that the Bank's call option will be exercised.

	<p>Furthermore, the Bank cannot exercise the Call Option unless:</p> <ul style="list-style-type: none"> • The called Bonds are replaced with capital of the same or better quality, and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank (Replacement issues can be concurrent with, but not after the instrument is called); or • The Bank demonstrates to the satisfaction of CBO that its capital position is and can be sustained above the capital adequacy and capital buffer requirements even after the Call Option is exercised. <p>Any repayment of outstanding principal must be with prior approval of CBO and no assumption may be made that approval will be given.</p>
Interest Rate	<p>The interest rate on the Bond will be the Initial Interest Rate in respect of the period from the Issue Date to the First Call Date, and, in respect of each Reset Period thereafter, at the Reset Interest Rate.</p> <p>The Initial Interest Rate is 7.75% per annum, in arrear, from (and including) the Issue Date up to (but excluding) the First Call Date.</p> <p>The interest on the Bond shall be payable out of Distributable Items and subject to certain Interest Restriction conditions.</p>
Interest Payment Dates	Semi-annual, on 29 th June and 29 th December. The first interest payment date will be 29 th June 2017.
Interest Payment Amounts	<p>Subject to the Interest Restrictions, the Bonds shall bear interest semi-annually in arrear from (and including) the Issue Date.</p> <p>The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be R.O. 38.75 per R.O. 1,000 in outstanding principal amount of the Bonds and shall be payable out of Distributable Items (as defined).</p> <p>The Interest Rate will be reset on each Reset Date (as defined) on the basis of the aggregate of the relevant Reset Reference Rate and the Relevant Margin on the relevant Determination Date, as determined by the Bank (see Condition 6.5 (Interest)).</p> <p>If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Bank shall not pay the corresponding Interest Payment Amounts on the relevant Interest Payment Date and the Bank shall not</p>

have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 6.6 (Interest Restrictions). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Bonds will have no right to receive such interest at any time, even if interest is paid in the future. It is further clarified that such non-payment of interest payment amounts by the Bank shall not constitute an Event of Default.

Reset Interest Rate

The Interest Rate will be reset every 12 months after the First Call Date, on each Reset Date (each a Reset Interest Rate).

Each Reset Interest Rate will be the aggregate of the Reset Reference Rate and the Relevant Margin on the Determination Date, as determined by the Bank.

The Reset Reference Rate is the average yield at which allotment is made (in case of GDB) or the yield to maturity / first call, calculated at the announced issue price (in case of Omani Rial sovereign debt issue) for the Reset Reference Bond.

The Reset Reference Bond is the most recent Omani Rial Government Development Bond (GDB) issued through auction or any other Omani Rial sovereign debt issued through auction or otherwise, in the immediate 12 months preceding each Determination Date.

The Reset Reference Tenor is the length of time in years, until the maturity date or first call date of the Reset Reference Bond

The Relevant Margin is the amount shown in the following table against the tenor that is equal to the Reset Reference Tenor.

Tenor	Amount
5 years	2.78%
6 years	2.63%
7 years	2.48%

In the event no Reset Reference Bond is available on account of no auction issue or bond issue in the immediate 12 month period preceding any Determination Date, or there is no tenor matching the Reset Reference Tenor, then the existing Interest Rate will continue until the next Reset Date.

Interest Restriction	<p>If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Bank shall not pay the corresponding interest payment amounts on the relevant Interest Payment Date and the Bank shall not have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 6.6 (Interest Restrictions). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Bonds will have no right to receive such interest at any time, even if interest is paid in the future. It is further clarified that such non-payment of Interest Payment Amounts by the Bank shall not constitute an Event of Default.</p>
Dividend Restrictions	<p>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), then, from the date of such Non-Payment Event or Non-Payment Election (the "Dividend Stopper Date"), the Bank will not, so long as any of the Bonds are outstanding:</p> <ul style="list-style-type: none"> (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 the Bank ("Ordinary Shares") (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 the Bank 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 Ordinary Shares; or (d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Bank 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

	<p>extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the Applicable Regulatory Capital Requirements,</p> <p>in each case unless or until one interest payment amount following the Dividend Stopper Date has been paid in full.</p>
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Redemption and Variation

The Bonds are perpetual subordinated securities in respect of which there is no fixed or final redemption date or maturity date. Further, the Bonds do not have any step-up features or other incentives for the Bank to redeem the Bonds.

The Bonds may be redeemed by the Bank only in accordance with the provisions as set out in Condition 6.8 (b) (Bank's Call Option).

In addition, on any date on or after the Issue Date, upon the occurrence of a Force Majeure event, all but not some, of the Bonds may be redeemed or the terms of the Bonds may be varied, in accordance with Condition 6.10.1 (Consequences of a Force Majeure event).

The redemption of the Bonds is subject to the following conditions:

(i) the prior written consent of the Central Bank of Oman ("CBO" or the "Regulator"); and

(ii) the requirement that, at the time when the relevant notice of redemption or variation is given and immediately following such redemption or variation (as applicable), the Bank is or will be (as the case may be) in compliance with the Capital Requirements;

(in the case of (i) and (ii) above, except to the extent that the Regulator no longer so requires).

Any redemption shall be with the prior approval of CBO and there can be no assumption that that the said approval will be given.

Write Down

If a Non-Viability Event occurs, a Write-down shall occur on the relevant Non-Viability Event Write-down Date (as defined) as more particularly described in Condition 6.9 (Write-down at the Point of Non-Viability).

In such circumstances, the rights of the holders of the

	<p>Bonds to payment of any amounts under or in respect of the Bonds shall, as the case may be, be cancelled or written-down permanently, in full or in part pro rata among the holders of the Bonds.</p> <p>A write-down shall not constitute an Event of Default.</p> <p>A Write-down will only take place with the prior written approval of the CBO.</p>
Status of the Bonds	<p>The payment obligations of the Bank under the Bonds will:</p> <ul style="list-style-type: none"> a) constitute Additional Tier 1 Capital of the Bank; b) constitute direct, unsecured, unconditional and subordinated obligations of the Bank that rank pari passu amongst themselves; c) rank subordinated to the claims of the Bank's depositors, general creditors, the holders of other subordinated debt / bonds/ sukuk of the Bank, all unsubordinated payment obligations of the Bank and all subordinated payment obligations (if any) of the Bank to which the obligations rank, or are expressed to rank, junior; d) rank pari passu with subordinated payment obligations of the Bank which rank, or are expressed to rank, pari passu with the obligations; and e) rank in priority only to claims of the holders of ordinary equity shares of the Bank. <p>The Bonds are not redeemable at the holder's initiative or without the written consent of CBO.</p> <p>The Bonds are not secured nor covered by a guarantee of the Bank or a related entity or other arrangement legally or economically enhancing the seniority of the claim vis-à-vis depositors, general creditors, holders of other subordinated debt/ bonds / sukuk of the Bank and all subordinated payment obligations (if any) of the Bank to which the obligations rank, or are expressed to rank, junior;</p>
Listing	The Bonds will be listed on the Muscat Securities Market (MSM).
Form of the Bonds	The Bonds will be issued in dematerialised form and Muscat Clearing & Depository Company SAOC ("MCDC") will act as the Registrar to the Bonds and maintain a register setting out the names and addresses of the Bonds' holders and the number of Bonds held by them respectively. The administration

	of registration of transfers of Bonds shall also be maintained by MCDC.
Eligible Subscribers	<p>The Bonds are offered on a private placement basis to select investors. In line with the regulations of CBO, local banks are prohibited from investing in the Bonds.</p> <p>Neither the Bank nor a related entity can directly or indirectly purchase and own the Bonds, nor can the Bank directly or indirectly finance the ownership and purchase of the Bonds.</p>
Subscription Period	<p>The subscription opening date 26th December 2016 and the subscription closing date is 27th December 2016.</p> <p>The Bank may extend the subscription closing date with the approval of CMA.</p>
Issue Date and Allotment	<p>The Issue Date is 29th December 2016.</p> <p>The Bonds will be allotted on Issue Date. Validity of the allotment shall be subject to the approval of all relevant authorities.</p> <p>If any investor(s) withdraws or does not subscribe to the full amount, the Board of Directors of the Bank shall allocate the unsubscribed Bonds to one or more of the other investors subject to their maximum bonds commitment.</p> <p>In the event the Bond Issue is not subscribed in full by the proposed Investors the Board of Directors may accept subscription only to the extent it is subscribed and accordingly the Bond issue size will be reduced.</p>
Issue Manager	<p>Oman Arab Bank SAOC – Investment Management Group</p> <p>P.O. Box 2010, P.C. 112, Ruwi, Muscat, Sultanate of Oman.</p> <p>Tel: +968 24754301 Fax: +968 24125125</p> <p>www.oabinvest.com</p>
Trustee & Registrar	<p>Muscat Clearing and Depository Company SAOC</p> <p>PO Box 952, PC 112, Ruwi, Sultanate of Oman</p> <p>Tel: 24822222, Fax: 24817491</p> <p>Website : http://www.csdoman.co.om</p>
Collecting Bank	Oman Arab Bank SAOC
Legal Advisor	Curtis, Mallet-Prevost, Colt & Mosle LLP

Auditors to the Issuer (for the financial year ending 31 st December 2016)	Ernst & Young LLC Muscat, Sultanate of Oman
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AUTHORIZATION OF THE OFFERING

- The CBO vide their letter No. BSD/2016/CPOC/OAB/1407 dated 25th December 2016 approved the Issue.
- The issue of the Bonds was authorized by the Shareholders of the Issuer at an Extra-ordinary General Meeting held on 15th December 2016.
- The CMA has approved the issue and the prospectus as per details stated on the first page.

2. CREDIT RATING OF THE ISSUER

2.1 MOODY'S INVESTOR SERVICE

Moody's Investors Service is a leading provider of credit ratings, research, and risk analysis. Further information is available at www.moodys.com.

2.1.1 MOODY'S RATING FOR THE BANK

Foreign and Local Currency Deposit		Outlook
Long Term Rating	Short Term Rating	
Baa2	P2	Stable

2.1.2 BANK DEPOSIT RATINGS

Bank Deposit Ratings are opinions of a bank's ability to repay punctually its foreign and/or domestic currency deposit obligations and also reflect the expected financial loss of the default. Bank Deposit Ratings do not apply to deposits that are subject to a public or private insurance scheme; rather, the ratings apply to the most junior class of uninsured deposits, but they may in some cases incorporate the possibility that official support might in certain cases extend to the most junior class of uninsured as well as preferred and insured deposits. Foreign currency deposit ratings are subject to Moody's country ceilings for foreign currency deposits. This may result in the assignment of a different (and typically lower) rating for the foreign currency deposits relative to the bank's rating for domestic currency deposits

Long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default. Short-term ratings are assigned to obligations with an original maturity of thirteen months or less and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.

2.1.3 MOODY'S GLOBAL LONG-TERM RATING SCALE

Aaa	Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.

Caa	Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	Obligations rated C are the lowest rated class and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

2.1.4 MOODY'S GLOBAL SHORT-TERM RATING SCALE

P-1	Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
P-2	Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.
P-3	Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.
NP	Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

2.2 CAPITAL INTELLIGENCE (CI)

Capital Intelligence (CI) has been providing credit analysis and ratings since 1985, and now rates over 300 Banks, Corporates and Financial Instruments (Bonds & Sukuk) in 39 countries. Further information is available at www.ciratings.com

a) CI'S RATING FOR THE BANK:

Foreign Currency – Long Term	Foreign Currency- Short Term	Financial Strength/ Support	Outlook Foreign Currency/ Financial Strength
BBB	A3	BBB /2	Negative/ Negative

b) INTERNATIONAL ISSUER CREDIT RATINGS: FOREIGN CURRENCY AND LOCAL CURRENCY

CI's international issuer credit ratings indicate the general creditworthiness of an entity (such as a bank, corporate or sovereign) and the likelihood that it will meet its financial obligations in a timely manner. Foreign currency ratings refer to an entity's ability and willingness to meet its foreign currency denominated financial obligations as they come due. Foreign currency ratings take into account the likelihood of a government imposing restrictions on the conversion of local currency to foreign currency or on the transfer of foreign currency to residents and non-residents.

Local currency ratings are an opinion of an entity's ability and willingness to meet all of its financial obligations on a timely basis, regardless of the currency in which those obligations

are denominated and absent transfer and convertibility restrictions. Both foreign currency and local currency ratings are internationally comparable assessments.

Foreign and local currency ratings take into account the economic, financial and country risks that may affect creditworthiness, as well as the likelihood that an entity would receive external support in the event of financial difficulties.

c) **LONG-TERM ISSUER RATINGS**

The following rating scale applies to both foreign currency and local currency ratings.

Investment Grade

AAA	The highest credit quality. Exceptional capacity for timely fulfilment of financial obligations and most unlikely to be affected by any foreseeable adversity. Extremely strong financial condition and very positive non-financial factors.
AA	Very high credit quality. Very strong capacity for timely fulfilment of financial obligations. Unlikely to have repayment problems over the long term and unquestioned over the short and medium terms. Adverse changes in business, economic and financial conditions are unlikely to affect the institution significantly.
A	High credit quality. Strong capacity for timely fulfilment of financial obligations. Possesses many favourable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions.
BBB	Good credit quality. Satisfactory capacity for timely fulfilment of financial obligations. Acceptable credit characteristics but some vulnerability to adverse changes in business, economic and financial conditions. Medium grade credit characteristics and the lowest investment grade category.

Speculative Grade

BB	Speculative credit quality. Capacity for timely fulfilment of financial obligations is vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors do not provide significant safeguard and the possibility of investment risk may develop.
B	Significant credit risk. Capacity for timely fulfilment of financial obligations is very vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors provide weak protection; high probability for investment risk exists.
C	Substantial credit risk is apparent and the likelihood of default is high. Considerable uncertainty as to the timely repayment of financial obligations. Credit is of poor standing with financial and/or non-financial factors providing little protection.
RS	Regulatory supervision (this rating is assigned to financial institutions only). The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.

- SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.
- D The obligor has defaulted on all, or nearly all, of its financial obligations.

Capital Intelligence appends "+" and "-" signs to foreign and local currency long term ratings in the categories from "AA" to "C" to indicate that the strength of a particular entity is, respectively, slightly greater or less than that of similarly rated peers.

d) **SHORT-TERM ISSUER RATINGS**

The following rating scale applies to both foreign currency and local currency ratings. Short-term ratings assess the time period up to one year.

Investment Grade	
A1	Superior credit quality. Highest capacity for timely repayment of short-term financial obligations that is extremely unlikely to be affected by unexpected adversities. Institutions with a particularly strong credit profile have a "+" affixed to the rating.
A2	Very strong capacity for timely repayment but may be affected slightly by unexpected adversities.
A3	Strong capacity for timely repayment that may be affected by unexpected adversities.
Speculative Grade	
B	Adequate capacity for timely repayment that could be seriously affected by unexpected adversities.
C	Inadequate capacity for timely repayment if unexpected adversities are encountered in the short term.
RS	Regulatory supervision (this rating is assigned to financial institutions only). The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.
SD	Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.
D	The obligor has defaulted on all, or nearly all, of its financial obligations.

Outlook- Expectations of improvement, no change or deterioration in a bank or corporate rating over the 12 months following its publication are denoted Positive, Stable or Negative.

e) **SUPPORT RATINGS:**

The following rating scale applies to support ratings.

1	The likelihood of a bank receiving support in the event of difficulties is extremely high. The characteristics of a bank with this support rating may include strong government ownership and/or clear legal guarantees on the part of the state. The bank may also be of such importance to the national economy that state intervention is virtually assured. The ability and willingness of potential supporters to provide sufficient and timely support is extremely strong.
2	The likelihood of support is very high. The ability and willingness of potential supporters to provide sufficient and timely support is very strong.
3	The likelihood of support is high. The ability and willingness of potential supporters to provide sufficient and timely support is strong.
4	The likelihood of support is moderate. There is some uncertainty about the ability and willingness of potential supporters to provide sufficient and timely assistance.
5	The likelihood of support is low. There is considerable uncertainty about the ability and willingness of potential supporters to provide sufficient and timely assistance.

f) **FINANCIAL STRENGTH RATING**

The following rating scale applies to the financial strength rating.

AAA	Financially in extremely strong condition with positive financial trends; significant strengths in other non-financial areas. Operating environment likely to be highly attractive and stable.
AA	Financially in very strong condition and significant strengths in other non-financial areas. Operating environment likely to be very attractive and stable.
A	Strong financial fundamentals and very favourable non-financial considerations. Operating environment may be unstable but institution's market position and/or financial strength more than compensate.
BBB	Basically sound overall; slight weaknesses in financial or other factors could be remedied fairly easily. May be limited by unstable operating environment.
BB	One or two significant weaknesses in the bank's financial makeup could cause problems. May be characterised by a limited franchise; other factors may not be sufficient to avoid a need for some degree of temporary external support in cases of extraordinary adversity. Unstable operating environment likely.
B	Fundamental weaknesses are present in the bank's financial condition or trends, and other factors are unlikely to provide strong protection from unexpected adversities; in such an event, the need for external support is likely. Bank may be constrained by weak market position and/or volatile operating environment.
C	In a very weak financial condition, either with immediate problems or with limited capacity to withstand adversities. May be operating in a highly volatile operating environment.
D	Extremely weak financial condition and may be in an untenable position.

Capital Intelligence appends "+" and "-" signs to financial strength ratings in the categories from "AA" to "C" to indicate that the strength of a particular institution is, respectively, slightly greater or less than that of similarly rated peers

Outlook - expectations of improvement, no change or deterioration in a rating over the 12 months following its publication are denoted Positive, Stable or Negative.

3. RISK FACTORS AND MITIGANTS

Following risk factors are not comprehensive or exhaustive, as additional risks and uncertainties not presently known or that the Bank currently believes not to be of significance may also have an impact on the Bank 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, the Bank's proposed operations and results could be adversely impacted. It should also be noted that the Bank 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 the Bank'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.

Subscribers should consider carefully whether an investment in the offered bonds is suitable for them in light of the information in this Prospectus and their personal circumstances.

a) Competition

The Bank 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.

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

b) Regulatory Risk

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

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

c) Banking Risks

Banks, including the Issuer, 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 the Bank causing it to incur financial loss and loss of business.

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

d) Business Continuity Risks

The Bank's business may be affected by natural disasters 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 the Bank could

significantly impact its operations. These could have substantial adverse impact on the financial position of the Bank.

Mitigant: The Bank has put in place suitable Business Continuity Plans to handle potential business interruptions or loss of information.

e) Risk of dependence on key personnel

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

Mitigant: The Bank 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. The Bank also develops senior management succession plans to achieve a smooth transition.

f) Dependence on short-term funding and liquidity

As with most banks, a substantial portion of the Bank's funding requirements is met through low-cost short-term funding sources, primarily in the form of customer deposits. As of 31 December 2015, approximately 58 per cent of the Bank's customers 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 the Bank's ability to refinance maturing liabilities and increase the cost of such funding. The availability to the Bank 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 the Bank's financial condition, credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of the Bank's financial prospects.

Mitigant: The Bank's deposit base has grown steadily over the years increasing from RO 696 million at the end of 2009 to RO 1601 million at the end of 2015, which indicates the Bank's ability to renew as well as mobilise new deposits over the period. The Bank has also raised subordinated loans of RO 20 million with 5.5 year maturity in November 2015. The Bank expects that it will be in a position to mitigate such risks through retaining its existing depositor base as well as acquiring fresh customers.

g) Deposit and borrower concentrations

Although the Bank 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 the Bank to seek additional sources of funding (whether in the form of deposits or wholesale funding), which may not be available to the Bank on commercially acceptable terms or at all. Any failure to obtain any replacement funding may negatively impact the Bank'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 the Bank's large corporate borrowers could have an adverse effect on the Bank'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 the Bank's depositors or borrowers could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects, and thereby affect its ability to perform its obligations in respect of the Bonds.

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

h) Risk of Write down of principal amount

If a Non-Viability Event occurs at any time, the Bonds will be cancelled (in the case of a Write-down in whole) or written-down in part on a pro rata basis (in the case of a Write-down in part) and all rights of any holder of Bonds for payment of any amounts under or in respect of the Bonds shall, as the case may be, be cancelled or written-down pro rata among the holders of the Bonds and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event or notice in relation thereto and even if the Non-Viability Event has ceased.

A Write-down will only take place with the prior written approval of the CBO. A Write-down shall not constitute an Event of Default. As a result, holders of the Bonds may lose the entire amount or, as the case may be, a material amount of their investment in the Bonds. Investors should also be aware that the application of a non-viability loss absorption feature (such as Write-down at the Point of Non-Viability) has not been tested in Oman and therefore some degree of uncertainty may exist in its application.

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside the Bank's control. The occurrence of a Non-Viability Event is subject to, inter alia, a subjective determination by the Regulator in circumstances that may be beyond the control of the Bank and with which the Bank or the holders of the Bonds may not agree.

i) Interest Payment Risk, Call Risk and Risks related to the status of the Bonds

Prospective investors should note that the payment obligations of the Bank under the Conditions (the "Obligations") are subordinated to the Senior Obligations (as defined in the Conditions), rank pari passu with the Pari Passu Obligations (as defined in the Conditions) and rank in priority only to all Junior Obligations (as defined in the Conditions). Accordingly, the payment obligations of the Bank under the Conditions rank junior to all depositors, general creditors, holders of the subordinated debt/ bonds/ sukuk of the Bank, all unsubordinated payment obligations of the Bank in respect of their due claims and all subordinated payment obligations of the Bank, to which such payment obligations rank, or are expressed to rank, junior. Further, the payment obligations of the Bank under the Conditions (which include obligations relating to the repayment of principal amounts and/or the payment of interest amounts) are neither secured nor guaranteed by any entity and are not subject to any other arrangement that legally or economically enhances the seniority of the claims of holders of the Bonds vis-à-vis depositors, general creditors, holders of subordinated debt or bonds or sukuk

of the Bank and all subordinated payment obligations of the Bank, to which such payment obligations rank, or are expressed to rank, junior.

If the Bank were wound up, liquidated or dissolved, the Bank's liquidator would apply the assets of the Bank to satisfy all claims of creditors in respect of Senior Obligations in priority to the claims of the holders of the Bonds and pari passu with creditors whose claims are in respect of Pari Passu Obligations. In such case, there may not be sufficient assets to satisfy the claims of the holders of the Bonds in full.

No Interest Payment Amounts are payable if either a Non-Payment Event or a Non-Payment Election (as defined in the Conditions) occurs. Pursuant to Condition 6.6.2 (Non-Payment Election), in the event of a Non-Payment Election, the Bank may not make payment of an Interest Payment Amount to holders of the Bonds on the corresponding Interest Payment Date.

The holders of the Bonds shall have no claim in respect of any Interest Payment Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event and the consequential non-payment of any Interest Payment Amount in such a circumstance shall not constitute an Event of Default (as defined in the Conditions). The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid amount. In such case, the holders of the Bonds will not receive Interest Payment Amounts on their investment in the Bonds and shall not have any claim in respect thereof.

j) Redemption Risk

The Bonds are subordinated and unsecured obligations of the Bank and are perpetual subordinated securities which have no fixed or final redemption date. Holders of the Bonds have no ability to require the Bank to redeem their Bonds unless an Event of Default (as defined) occurs. The Bank has the option to redeem the Bonds in certain circumstances, although there is no assurance that it will do so. Further, payments of interest are conditional upon certain events and may be cancelled and are noncumulative. The holders of the Bonds also face the risk that the Bank may, with the prior written approval of the CBO, exercise its call option (at the end of 5 years and one month and every year thereafter).

Further, upon the occurrence of a Force Majeure event, the Bank may, at any time, in accordance with Condition 6.14 (Notices) redeem in accordance with the Conditions, all, but not some, of the Bonds together with any Outstanding Payments (as more particularly described in Condition 6.10.1 (Consequences of a Force Majeure event)).

k) Risk of Modifications

The Conditions contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders of the Bonds who did not attend and vote at the relevant meeting and holders of the Bonds who voted in a manner contrary to the majority. The Conditions also provide that the Trustee and the Bank may agree, without the consent of holders of the Bonds, to any modification of any Bonds, in the circumstances specified in Condition 6.20 (*Meetings of Holders of the Bondholders, Modification and Waiver*). The Conditions also provide that the Bank may, without the consent or approval of the Trustee or the holders of the Bonds, vary the Conditions so that they remain or, as appropriate, become, qualifying Additional Tier 1 Instruments, as provided in Condition 6.10.1 (Consequences of a Force Majeure event).

RISK FACTORS RELATING TO THE MARKET IN WHICH THE BANK OPERATES

a) Economic Risk

The global as well as Oman's economic performance has a direct impact on the Bank's performance. Any change in the economic environment could have an impact on the Bank's operations and performance.

Mitigant: The Bank considers the economic outlook and its implications while drawing up its business plan. Further, the Board of the Bank and its management monitors the functioning of the Bank and adopts suitable actions in the event of any unanticipated developments.

b) Change in Laws, Regulations and Rules

The Bank'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 the Bank'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.

Mitigant: The banking regulator is expected to formulate policies that are aimed at improving the banking sector and its long term growth. Further, the Bank has a well-experienced management team to appropriately respond to such developments.

c) Default by Bank's Clients and Counterparties

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

Mitigant: The Bank has appropriate risk management policies and procedures to address these issues so that these do not have a material adverse impact on the Bank's long term prospects.

RISK FACTORS RELATING TO THE BONDS

a) No Trading History

The Bank is issuing bonds for the first time and there is no prior trading history available for this category of instrument. There may not be an active market in the bonds subsequent to their listing on the MSM. Therefore investors face liquidity risk as well as price risk on account of the poor liquidity having an adverse effect on the market price of the bonds regardless of the actual operating performance of the Bank.

b) Additionally, several factors can affect the prices of traded bonds and their volatility. These factors include, but are not limited to:

- Changes in the bank's operating results
- Economic developments and Interest rate scenario
- Change in credit rating of the bank

4. OBJECTS AND APPROVALS

4.1 OVERVIEW

Oman Arab Bank SAOC was established in 1984 following the acquisition of Arab Bank's branches in the Sultanate. Over the past three decades, the Bank 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 most recently, Islamic Banking.

The shareholders of the Bank are:

- Oman International Development & Investment Co. SAOG - OMINVEST (50.99%)
- Arab Bank Plc (49%)
- Oman Real Estate Investment and Services SAOC (0.01%)

Oman Arab Bank currently operates more than 65 branches and offices, and more than 135 ATMs across the Sultanate that are supported by Arab Bank's 600 branches spanning five continents. As of 31st December 2015, the Bank's total assets stood at RO 1.98 Billion (USD 5.15 Billion) and net worth of RO 226 Million (USD 587 Million).

4.2 Objects of the Bank

Subject to, and in accordance with, the provisions of the Banking Law, the Capital Market Law, the rules and regulations of the CBO issued from time to time, and the licenses issued to the Bank by the CBO and the CMA, the main objects of the Bank are broadly to carry on all commercial and investment banking activities for the Bank's own account and for that of third parties within the Sultanate of Oman or elsewhere and any other similar activities approved by the Board of Governors of the CBO to be banking activities.

By way of example and without limitation to the generality of the foregoing, the Bank may:

- (i) Advance or lend money with or without charges or interest, and/or offer other banking facilities, guarantees and any other security.
- (ii) Open current, saving and fixed deposit accounts.
- (iii) Arrange international financings and participate in such financings.
- (iv) Deal in stocks and debentures for the account of the Bank and/or customers.
- (v) Carry on the business of discounting, dealing in exchanges, in specie and securities.
- (vi) Act as agents for the sale and purchase of any shares or securities or for any other monetary transactions.
- (vii) Issue and negotiate bank guarantees and letters of credit, cheque payments, money orders and all other negotiable documents and their collection.
- (viii) Sell, buy and exchange currencies, monies, bullions.

- (ix) Enter into partnership with companies and organisations transacting activities similar to those transacted by the Bank.
- (x) Grant monies in consideration of guarantees in-kind or personal or mixed either in cash or by making credit to accounts or in consideration of bills, debentures, promissory notes or any other obligations or in consideration of title deed deposits.
- (xi) Act as agents, intermediaries or financial advisors for the benefit of its customers and to advise, sell and procure the sale of such services to its customers.
- (xii) Act as manager, agent, correspondent or representative to local and/or foreign banks.

In addition, and without prejudice to the generality of the Bank's conventional banking and non-Islamic banking activities referred to above, the Bank may:

- (i) Undertake all banking and financing business and provide banking services in conformity with the principles of Islamic Sharia.
- (ii) Undertake all financing and lending Sharia compliant banking facilities through different forms of Islamic financing transactions including but not limited to Murahaba, Mudaraba, Musharaka, Ijara, Istisina, Salam and such other forms of Sharia compliant financing transactions;
- (iii) Accept Zakat and unconditional donations and contributions from third parties for the account of the Zakat fund and interest-free loan funding and to spend and utilise such funds for the benefit of others for the discharge of the Bank's social responsibilities.

The foregoing objects shall, at all times, be subject to the laws applicable in the Sultanate of Oman from time to time and subject to regulatory approvals, as the case may be.

4.3 Licenses and Approvals

The Bank obtained and maintains valid licenses and memberships from the relevant authorities in order to pursue the activities for which it has been incorporated, which are as follows:

Authority	Purpose of License/ License No.	Issue Date	Expiry Date
MOCI	Commercial Registration C.R. No 1223518	1 st January 1985	31 st December 2020*
CBO	Commercial Banking License	23 rd October 1984	Ongoing
CBO	Investment Banking License	23 rd May 2004	Ongoing
CMA	Services License	21 st February 2010	31 st December 2018

* Renewed every five years

4.4 Changes in Share Capital during 2014-2016

Period/ Year ended	Details of Increase	Issue Price	Additional Capital Amount (RO mln)	Subscribed by	Share capital at end of year (RO mln)
31 st December 2014	NIL				116.00
31 st December 2015	NIL				116.00
30 th September 2016	Rights Issue	RO 1/- per share	11.00	All Shareholders	127.00

5. PURPOSE OF THE ISSUE AND ISSUE EXPENSES

5.1 PURPOSE OF THE ISSUE

The purpose of the issue is to -

- Increase the Bank's Additional Tier 1 Capital for the purpose of strengthening its capital adequacy.
- Provide funds for the Bank's general corporate purposes.
- Develop alternate sources of funding

5.2 ESTIMATED ISSUE EXPENSES

The estimated cost of the issue under various heads is given in the following table:

Details	Expense (RO)
Issue Management/legal/trustee fees	150,000
CMA prospectus approval fee and listing fees	5,000
Printing of prospectus, forms, etc.	1,000
Collecting Bank Fee	1,000
Miscellaneous Expenses /Contingency	8,000
Total estimated issue expenses	165,000

In case the actual issue expenses exceed the collected amount, the excess shall be borne by the Bank.

6. TERMS AND CONDITIONS OF THE BOND ISSUE (“THE CONDITIONS” OR “CONDITION”)

6.1 THE ISSUE

The Bonds will be created and issued by the Bank which is incorporated and registered as a Company in the Commercial Register maintained by the MOCI (C.R. No 1223518) and as a commercial bank in Oman. The Issue is governed and has been made pursuant to the Articles of Association of the Bank, the regulations of the Central Bank of Oman and the Laws of Oman.

6.2 NOMINAL VALUE & ISSUE PRICE

Each Bond shall have a nominal value of RO 1.000 (Rial Omani One) and the Issue Price of RO 1.000 (Rial Omani One).

6.3 ALLOTMENT DATE OF BONDS

The allotment of Bonds will be made after the closing of subscription. Validity of the allotment shall be subject to the approval of all relevant authorities.

6.4 STATUS, SUBORDINATION

6.4.1 STATUS OF THE BONDS

Each Bond will rank pari passu without preference or priority, with all other Bonds of this Issue.

6.4.2 SUBORDINATION OF THE BONDS

- (a) The payment obligations of the Bank under the Bonds (the "Obligations") will:
 - (i) constitute Additional Tier 1 Capital of the Bank;
 - (ii) constitute direct, unsecured, unconditional and subordinated obligations of the Bank that rank pari passu amongst themselves;
 - (iii) rank junior to all Senior Obligations;
 - (iv) rank pari passu with all Pari Passu Obligations; and
 - (v) rank in priority only to all Junior Obligations.
- (b) Subject to applicable law, no holder of the Bonds may exercise or claim any right of set-off in respect of any amount owed to it by the Bank arising under or in connection with the Bonds and each holder of the Bonds shall, by virtue of being a holder of the Bonds, be deemed to have waived all such rights of set-off.
- (c) In accordance with these Conditions, the Obligations shall be neither secured nor guaranteed by any entity and shall not be subject to any other arrangement which, either legally or economically or otherwise, enhances the seniority of the claims of holders of the Bonds in respect of the Obligations compared with the claims of holders or beneficiaries of Senior Obligations (including deposit holders, general creditors and holders of subordinated debt/ bonds/ sukuk of the Bank, all unsubordinated payment obligations of the Bank and other subordinated payment obligations of the Bank, to which the Obligations rank, or are expressed to rank, junior).

- (d) The Bonds cannot contribute to liabilities exceeding assets if such a balance sheet test forms part of insolvency law.

6.5 INTEREST

6.5.1 INTEREST PAYMENTS

Subject to Condition 6.6 (Interest Restrictions), the Bonds bear interest from (and including) the Issue Date to (but excluding) the First Call Date at a rate of 7.75 percent per annum (the "Initial Interest Rate") on the outstanding principal amount of the Bonds in accordance with the provisions of this Condition 6.5. The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be R.O. 38.75 per R.O. 1,000 in principal amount of the Bonds.

As per CBO regulations governing the Bonds, Interest Payments must only be paid out of distributable items (accumulated and realized profits as approved by CBO, so far as they have not been previously distributed or capitalized, less accumulated losses),

Subject to Condition 6.6 (Interest Restrictions), interest shall be payable on the Bonds semi-annually in arrears on each Interest Payment Date, in each case as provided in this Condition 6.5. Interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Bonds will have no right to receive such interest at any time, even if interest is paid in respect of any subsequent Interest Period. If interest is required to be calculated in respect of a period of less than a full Interest Period (the "Relevant Period"), it shall be calculated as an amount **equal to** the product of:

- (i) the applicable Interest Rate;
- (ii) the outstanding principal amount of the relevant Bond; and
- (iii) the applicable Day-count Fraction for the Relevant Period, rounding the resultant figure to the nearest baiza (half a baiza being rounded upwards).

(a) Interest Rate

For the purpose of calculating payments of interest after the First Call Date, the interest rate will be reset on each Reset Date on the basis of the aggregate of the Reset Reference Rate and the Relevant Margin on the Determination Date, as determined by the Bank.

The Relevant Margin is the amount shown in the table against the tenor that is equal to the Reset Reference Tenor. The Reset Reference Tenor is the length of time in years, until the maturity date or first call date of the Reset Reference Bond. The Reset Reference Bond is the most recent Omani Rial Government Development Bond (GDB) issued through auction or any other Omani Rial sovereign debt issued through auction or otherwise, in the immediate 12 months preceding each Determination Date.

The Reset Reference Rate is the average yield at which allotment is made (in case of GDB) or the yield to maturity / first call, calculated at the announced issue price (in case of Omani Rial sovereign debt issue) for the Reset Reference Bond.

In the event no Reset Reference Bond is available on account of no auction issue or bond issue in the immediate 12 month period preceding any Determination Date, or there is no tenor matching the Reset Reference Tenor, then the existing Interest Rate will continue until the next Reset Date.

The following hypothetical scenario is used to illustrate the calculation:

For example, in case of the Reset Date of 29th January 2023, the Determination Date will be 26th January 2023. Further, the most recent GDB issue in the 12 months preceding the above Determination Date is for example, a GDB of 6 years maturity, and the average yield at which allotment is made in this GDB issue is announced as for example, 8.25 % p.a.

Accordingly, for the above example, the 6 year GDB issue will be the Reset Reference Bond and 8.25% p.a. will be the Reset Reference Rate. The Reset Reference Tenor will be 6 years and the Relevant Margin will be 2.63%, being the margin as per the table, corresponding to a maturity of 6 years. Therefore the Reset Interest Rate will be 10.88% p.a. (8.25% + 2.63%) and this will be the interest rate on the Bond upto the next reset date which will be on 29th January 2024.

If for example, there is no GDB issue or Government bond issue of matching tenor in the 12 months preceding the Determination Date, then the interest rate applicable on the Bond for the Reset Period ending on 29th January 2023 will continue upto the next reset date which will be on 29th January 2024.

The Bank will, as soon as practicable upon determination of the Interest Rate which shall apply to the Reset Period commencing on the relevant Reset Date, cause the applicable Interest Rate and the corresponding Interest Payment Amount to be notified to the holders of the Bonds in accordance with Condition 6.14 (Notices) but not later than the second Business Day thereafter.

6.6 INTEREST RESTRICTIONS

6.6.1 NON-PAYMENT EVENT

Notwithstanding Condition 6.5.1 (Interest Payments), if any of the following events occurs (each, a "Non-Payment Event"), Interest Payment Amounts shall not be paid on any Interest Payment Date:

- (a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Bank 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) the Bank 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 the Bank 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.

6.6.2 NON-PAYMENT ELECTION

Notwithstanding Condition 6.6.1 (Interest Payments), the Bank 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").

For the avoidance of doubt, the Bank will have the right to otherwise use any Interest Payment Amounts not paid to holders of the Bonds and such non-payment will not impose any restriction on the Bank other than as set out in Condition 6.6.4 (Dividend and Redemption Restrictions).

6.6.3 EFFECT OF NON-PAYMENT EVENT OR NON-PAYMENT ELECTION

If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Bank shall:

- (a) in the case of a Non-Payment Election, 14 calendar days prior to such event, and
 - (b) in the case of a Non-Payment Event, as soon as practicable thereafter but in any case no later than one Business Day prior to the relevant Interest Payment Date,
- give notice to the holders of the Bonds and the Trustee in accordance with Condition 6.14 (Notices) in each case providing details of the Non-Payment Election or Non-Payment Event (as the case may be). Holders of the Bonds shall have no claim in respect of any Interest Payment Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event and any non-payment of an Interest Payment Amount in such circumstances shall not constitute an Event of Default. The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid Interest Payment Amount.

6.6.4 DIVIDEND AND REDEMPTION RESTRICTIONS

If any Interest Payment Amount is not paid as a consequence of a Non-Payment Event or a Non-Payment Election pursuant to Condition 6.6.1 (Non-Payment Event) or 6.6.2 (Non-Payment Election) (as the case may be), then, from the date of such Non-Payment Event or Non-Payment Election (the "Dividend Stopper Date"), the Bank 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, Ordinary Shares (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 the Bank 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 Ordinary Shares; or
- (d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Bank 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.

6.7 PAYMENTS

6.7.1 INTEREST PAYMENTS

Interest payments in respect of the Bonds will be made in Omani Rials to the holder of the Bonds appearing in the Bondholders' Register at the close of business on the 15th day (whether or not such 15th day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date. Such payments will be made by credit or transfer to the Bondholder's bank account, as registered with MCDC and

provided to the Bank by MCDC. In the event the Bondholder wishes the payment to be transferred to a different bank account, the Bondholder shall inform the Bank in writing at least 3 Business Days before the relevant Payment Date, and provide all required details regarding the bank account.

6.7.2 PAYMENTS SUBJECT TO LAWS

All payments are subject in all cases to: (a) any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 6.11 (Taxation); and (b) any withholding or deduction required by the tax rules/ regulations and/or the laws of Oman.

6.7.3 PAYMENT DAY

If the date for payment of any amount in respect of the Bonds is not a Business Day, the holder thereof shall not be entitled to payment until the next following Business Day and shall not be entitled to further interest or other payment in respect of such delay.

6.8 REDEMPTION

a) *No Fixed Redemption Date*

The Bonds are perpetual subordinated securities in respect of which there is no fixed or final redemption date or maturity date. Further, the Bonds do not have any step-up features or other incentives for the Bank to redeem the Bonds.

(b) *Bank's Call Option*

The Bank may, by giving not less than 30 days prior notice to the holders of the Bonds and to the Trustee and the Registrar, in accordance with Condition 14 (Notices) (which notices shall be irrevocable and specify the date fixed for redemption) redeem all, but not some, of the Bonds. Furthermore, the Bank cannot exercise the Call Option unless:

- A minimum of 5 years and 1 month has passed from the Issue Date and only with the prior written approval of the CBO.
- The called Bonds are replaced with capital of the same or better quality, and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank (Replacement issues can be concurrent with, but not after the instrument is called); or
- The Bank demonstrates to the satisfaction of CBO that its capital position is and can be sustained above the capital adequacy and capital buffer requirements even after the Call Option is exercised.

Any repayment of outstanding principal must be with prior approval of CBO and no assumption may be made that approval will be given.

Redemption of the Bonds pursuant to this Condition 6.8(b) will be at the Redemption Amount and may only occur on the First Call Date or any Call Date thereafter.

For the avoidance of doubt, the Bank shall not do anything which creates an expectation that the Bank's call option will be exercised.

6.9 WRITE-DOWN AT THE POINT OF NON-VIABILITY

6.9.1 NON-VIABILITY EVENT

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 6.9.2 (Non-Viability Notice) below.

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A Non-Viability Event means that upon the occurrence of a trigger event, which, in accordance with the definition of "Non-Viability Event", is the earlier of:

(a) the Regulator having notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without a Write-down; or

(b) a decision having been taken to make a public sector injection of capital or equivalent support, without which the Bank is, or will become, Non-Viable, the Bonds shall be permanently written down in whole or in part, as further provided in the definition of "Write-down", as determined by the Bank in conjunction with the Regulator in accordance with the Capital Regulations. For the avoidance of doubt, where the Regulator has determined that a public sector injection of capital (or equivalent support) is required, the Write-down will be full and permanent, and shall occur prior to any public sector injection of such capital or equivalent support.

A Write-down will only take place with the prior written approval of the CBO.

"Non-Viable" in respect of the Bank means (i) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business; or (ii) any other event or circumstance which is specified as constituting non-viability by the Regulator or as is set out in the applicable banking regulations.

A Write-down shall not constitute an Event of Default.

Although this will depend on the terms of other financing arrangements to which the Bank is a party as an obligor, the Bank believes that, as a result of a Write-down not constituting an Event of Default under the Conditions, such Write-down will not trigger cross-default clauses in such other financing arrangements.

It is the Bank's intention at the date of this Prospectus that a Write-down will take place: (1) after the Ordinary Shares of the Bank absorb losses (if and to the extent such loss absorption is permitted at the relevant time under all relevant rules and regulations applicable to the Bank at such time) and the Regulator has not notified the Bank in writing that the relevant Non-Viability Event has been cured as a result of such loss absorption; (2) simultaneously with the write-down of any of the Bank's other obligations in respect of Tier 1 Capital and other instruments related to the Bank's other obligations constituting Additional Tier 1 Capital; and (3) prior to the write-down of any of the Bank's other obligations in respect of tier 2 capital and other instruments related to the Bank's other obligations constituting tier 2 capital, provided that, in the case of (2) and (3) above, this will only apply to the extent such other instruments have contractual provisions for such analogous write-down at the point of non-viability or are subject to a statutory framework that provides for such analogous write-down.

6.9.2 NON-VIABILITY NOTICE

If a Non-Viability Event occurs, on the third Business Day following the occurrence of such Non-Viability Event (or such earlier date as determined by the Regulator), the Bank will notify the holders of the Bonds thereof in accordance with Condition 14 (Notices) (a "Non-Viability Notice"). Upon provision of such Non-Viability Notice, a Write-down of the Bonds shall take place on the Non-Viability Event Write-down Date and, with effect from such date, holders shall not be entitled to any claim for any amount subject to such Write-down in connection with the Bonds. Any such Write-down shall not constitute an Event of Default. Holders of the Bonds acknowledge that there shall be no recourse to the Regulator in respect of any determination made by it with respect to the occurrence of a Non-Viability Event.

A Write-down will only take place with the prior written approval of the CBO.

Following any Write-down of the Bonds in accordance with this Condition 6.9: (a) references in these Conditions to the "principal amount" or "outstanding principal amount" or "redemption" or "Redemption Amount" of the Bonds shall be construed as referring to the written-down amount; (b) the principal amount so written down will be cancelled and interest will continue to accrue only on the outstanding principal amount following such cancellation, subject to Conditions 6.6.1 (Non-Payment Event) and 6.6.2 (Non-Payment Election) as described herein; and (c) any amounts so written down may not be restored and holders of the Bonds shall not have any claim thereto under any circumstances, including, without limitation (i) where the relevant Non-Viability Event is no longer continuing, (ii) in the event of the liquidation or winding-up of the Bank, (iii) following the exercise of a call option by the Bank pursuant to Condition 6.8(b) (Bank's Call Option), or (iv) following the redemption or variation of the Bonds upon the occurrence of a Force Majeure event pursuant to Condition 6.10.1 (Consequences of a Force Majeure event).

6.10 FORCE MAJEURE

An event of Force Majeure means an event beyond the control of the Bank, which includes, but is not limited to the following:

- The occurrence of a Tax Event
- The occurrence of a Capital Event,

6.10.1 CONSEQUENCES OF FORCE MAJEURE EVENT

- Upon the occurrence of a Tax Event the Bank may, by giving not less than 30 days notice to the Trustee and the holders of the Bonds in accordance with Condition 14 (Notices) and without any requirement for consent or approval of the holders of the Bonds, redeem all, but not some only, of the Bonds at the Redemption Amount.
- Upon the occurrence of a Capital Event, the Bank may, by giving not less than 30 days notice to the Trustee and the holders of the Bonds in accordance with Condition 14 (Notices) and without any requirement for consent or approval of the holders of the Bonds: (A) redeem all, but not some, of the Bonds at the Redemption Amount; or (B) vary the terms of the Bonds so that they remain or, as appropriate, become, Qualifying Tier 1 Instruments ("variation").
- Redemption of the Bonds or variation of the Conditions, pursuant to this Condition 6.10.1 shall be subject to receipt of prior written approval of the CBO for the redemption or the variation.
- Prior to giving any notice of redemption or variation (as the case may be) pursuant to this Condition 6.10.1, the Bank shall give to the Trustee a certificate signed by two Authorised Signatories of the Bank stating that:
 - (I) a Tax Event or a Capital Event has occurred; and
 - (II) written approval from the CBO has been obtained for the redemption or the variation (as the case maybe).
- **Taxes upon Variation:** In the event of a variation or redemption in accordance with Conditions 6.10.1, the Bank will not be obliged to pay and will not pay any liability of any holder of the Bonds to corporation tax, corporate income tax or tax on profits or gains or

any similar tax arising in respect of the redemption or variation of the terms of the Bonds including any taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such holder of the Bonds.

6.11 EVENTS OF DEFAULT

Notwithstanding any of the provisions below in this Condition 6.11, the right to institute winding up proceedings is limited to circumstances where payment has become due. In the case of any payment of interest in respect of the Bonds, such payment may be cancelled pursuant to Condition 6.6 (Interest Restrictions) and, if so cancelled will not be due on the relevant payment date and, in the case of payment of principal, such payment is subject to the conditions set out in Condition 6.8 (b) (Bank's Call Option) and Condition 6.10.1 (Consequences of Force Majeure event) being met and if these conditions are not met will not be due on such payment date.

Upon the occurrence of an Event of Default, any holder of the Bonds may give written notice to the Bank, effective upon the date of receipt thereof, that such Bonds is due and payable, whereupon the same shall, subject to Condition 6.8 (Redemption) or Condition 6.10.1 (Consequences of Force Majeure event), become forthwith due and payable, together with interest due and payable under the Conditions (if any) to the date of repayment without presentation, demand, protest or other notice of any kind.

To the extent permitted by applicable law and by these Conditions, any holder of the Bonds may at its discretion institute proceedings for the winding-up of the Bank and/or prove in the winding-up of the Bank and/or claim in the liquidation of the Bank for such payment, but the institution of such proceedings shall not have the effect that the Bank shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

No remedy against the Bank, other than the institution of the proceedings referred to in this Condition 6.11, and the proving or claiming in any dissolution and liquidation of the Bank, shall be available to the holders of the Bonds, whether for the recovery of amounts owing in respect of the Bonds or in respect of any breach by the Bank of any other obligation, condition or provision binding on it under the Bonds.

6.12 TAXATION

All payments of principal and interest in respect of the Bonds by the Bank will be made after withholding or deducting for or on account of any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature imposed or levied by or on behalf of Oman or any political sub-division or authority thereof or therein having the power to tax or such withholding or deduction is required by law.

6.13 PRESCRIPTION

Subject to applicable law, claims for payment in respect of the Bonds will become void unless made within the limitation periods provided by the Laws of Oman

6.14 NOTICES

All notices to the holders of the Bonds will be valid if mailed to them at their respective addresses in the register of the holders of the Bonds maintained by the Registrar. The Bank shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first

publication. Notices to be given by any holder of the Bonds shall be in writing and given by mailing the same to the Bank at its registered office address.

6.15 TRANSFER AGENT & TRUSTEE

The MCD shall act as the Registrar and Transfer Agent with respect to the Bonds and shall also act as the Trustee in accordance with the terms of a Trust Deed which shall be entered into by and between the Bank and the Trustee. The title to the Bonds passes on the recordation of the transfer in the Bondholders Register maintained by the MCD. The registered owner of the Bonds save as otherwise required by the Laws of Oman will be treated as the absolute owner of the Bonds for all purposes.

6.16 LISTING ON THE MSM

The Bonds shall be listed on the MSM. The Issue Manager shall complete all the formalities relating to the listing of the Bonds on the MSM.

6.17 REGISTRATION OF TRANSFERS

The administration of registration of transfers of Bonds shall be maintained by MCD, the transfer agent which is normally responsible for maintaining the register of shares, bonds and other listed securities of all companies listed on the MSM. MCD will act as the Registrar to the Bonds and maintain a register setting out the names and addresses, the number of Bonds held and the bank account details of the Bondholders.

6.18 TRANSFERABILITY OF BONDS AND RESTRICTIONS ON TRANSFERABILITY

The Registrar will maintain a separate register of Bondholders, in which it will record transfers of Bonds that take place through trading on the MSM. Transfers may be made for a minimum of one Bond and transfer of any fractional Bond shall not be allowed. Bondholders may sell their Bonds, or acquire additional Bonds, through the MSM. Bonds may be pledged, donated or bequeathed by notifying the Registrar to facilitate all necessary formalities.

MCD will effect the registration of transfer of any Bonds. Any charges levied by the Registrar shall be borne by the buyer and the seller of the Bonds in accordance with the regulations. All transfers of Bonds and entries on the register of the Bondholders as maintained by the Registrar will be made subject to the regulations concerning transfer of Bonds.

6.19 VARIATION OF RIGHTS

The terms and conditions attaching to the Bonds shall be capable of amendment under the following circumstances:

6.19.1 In the event that any term or condition thereof needs to be amended in order to comply with the Laws of Oman, or change in the Laws of Oman, or any regulation of CBO, the CMA, the MSM, or MOCI, the Issuer shall be entitled to enforce such change or amendment forthwith, on condition that each holder of the Bond shall be duly notified of such amendment, within 14 days.

6.19.2 In the event that the Issuer intends proposing any other amendment or variation to the terms and conditions attaching to the Bonds, after receipt of prior written CBO approval, it shall call a meeting of Bondholders for such purpose, who shall be entitled to consider, and vote upon such variation or amendment by way of formal meeting to be held, other than as specifically provided for herein, in accordance with procedures similar to that applying to general meetings of shareholders of public companies under the CCL and the Laws of Oman.

6.20 MEETINGS OF THE BONDHOLDERS, MODIFICATIONS AND WAIVER

The Trust Deed contains provision for convening meetings of Bondholders as per the CCL that considers matters affecting their interest as proposed by the Bank, including the modification of any of these conditions or any provisions of the Trust Deed. Any such modification may be made if sanctioned by a Bondholders' resolution as provided for in the Trust Deed.

6.20.1 A meeting of the holders of the Bonds may be called by the Issuer following a Board resolution ordering such a meeting or by the statutory auditors of the Bank, or by the Bank at the request, in writing, of the holders of the Bonds representing at least two thirds of the then outstanding Bonds.

6.20.2 Within 14 days of receipt of such a request, or an authorizing board resolution, the Bank shall, at its cost, issue a notice of meeting of the holders of the Bonds which shall be published in two Arabic newspapers for two consecutive days and also sent by post to registered holders of the Bonds, in each case, not less than 15 days prior to the appointed date of the meeting. A notice of a meeting of the holders of the Bonds shall contain details of the place, date and time of the meeting, accompanied by a description of the agenda of the meeting setting out the main purpose and businesses of the meeting.

6.20.3 Any Director of the Bank, the secretary of the Bank, or in the absence of aforementioned, a registered holder of the Bonds in person, duly appointed at the meeting, may preside as the Chairman of a meeting of the holders of the Bonds.

6.20.4 The resolutions of the Bondholders' general meeting shall not be valid unless such meeting is attended by, personally or by proxy, a number of Bondholders representing at least two thirds of the Bonds outstanding. Failing such quorum, a second meeting shall be convened to discuss the same agenda. The date of the second meeting shall be notified to the Bondholders in the same manner followed with regard to the first meeting at least one week prior to the date set for the second meeting. A quorum representing one-third of the Bonds shall be sufficient for the second meeting, provided such second meeting is held within one month from the date of the first meeting. However, a resolution to extend the redemption period of the bonds or reduce the rate of interest or the principal debt of the securities or prejudices the rights of the Bondholders shall not be adopted unless the meeting is attended by Bondholders who represent two-third of the Bonds. Resolutions shall be adopted by two-thirds majority of the Bonds represented at the meeting.

6.20.5 In all circumstances, voting shall take place by way of a poll, in terms whereof each Bond shall represent 1 (One) vote. Resolutions shall be adopted by a two-thirds majority of the Bonds represented at the meeting through Bondholders present in person or by proxy.

6.20.6 Notwithstanding any other matters on which a Bondholders' Resolution would be required, Bondholders' Resolution will be required in case of any proposal made by the Issuer to:

- i) modify the dates on which interest is payable in respect of the Bonds or the maturity of the Bonds
- ii) reduce or cancel the principal amount or interest on the Bonds or modify the date of payment in respect of the Bonds other than in the manner provided for in this Prospectus
- iii) change the currency of payment of the Bonds

- iv) sanction the exchange or substitution of the Bonds for, or the conversion of the Bonds into, notes, debentures, debenture stock or other obligations or securities of the Issuer or any other body corporate formed or to be formed

6.20.7 The Trustee may agree as per the powers vested in it by the Trust Deed without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which does not, in the sole the opinion of the Trustee materially prejudice the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Trustee so requires, shall be notified by the Issuer to the Bondholders as soon as is reasonably practicable. In the event that the Issuer fails to notify the Bondholders within a week, the Trustee shall be at liberty to notify the Bondholders.

6.20.8 In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation or waiver) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequences of any such individual Bondholders.

6.21 FURTHER ISSUES

The Bank shall be at liberty from time to time to make further issues of bonds or any other debt, equity or hybrid (a combination of debt and equity) instrument including debt instruments ranking in priority to the Bonds in accordance with the Regulator, CCL and the Laws of Oman.

Further, in the event the Bank issues any new instrument(s) in the future, at a price lower than or on terms that are better than those for this Bond issue, the Bank will not compensate the Bondholders or the subscribers to the Issue.

6.22 CORPORATE REORGANIZATION

In the event of any consolidation or amalgamation of the Bank with any company or other corporate entity (other than a consolidation or amalgamation in which the Bank is the continuing entity), or in the event of the occurrence of the sale or transfer of ownership of all the assets of the Bank, the Bank will forthwith notify the Bondholders of such event and it shall (to the extent permitted by law) cause the company or the corporate resulting from such consolidation or amalgamation or which might have acquired such assets, as the case may be, to execute a trust deed supplemental to the Trust Deed (in form and substance satisfactory to the Trustee) such that the new entity assumes the obligations of the Bank under the Trust Deed.

6.23 GENERAL DUTIES AND OBLIGATIONS OF THE BANK TO HOLDERS OF THE BONDS

6.23.1 The Bank shall conduct its business of operating a bank in accordance with the laws of Oman, as well as all bank and securities laws and regulations as may apply to it, or become applicable to it during the period of issue of the Bonds.

6.23.2 The Bank shall prepare quarterly and annual financial statements in accordance with the laws applicable to banks in Oman. Any Bondholder shall be entitled to be furnished with a

copy of any released financial results, or Annual Report, within 14 (Fourteen) days of a written request for such, which may be made to the Issuer.

6.23.3 The Bank shall, in accordance with the regulatory requirements of Oman, publish its financial results timely in at least 1 (One) Arabic and 1 (One) English language newspaper, in each quarterly and annual financial reporting period.

6.23.4 In the event that the Bonds for any reason whatsoever become delisted from the MSM while still in issue, or are at any time removed from the electronically recorded registration system, the Bank shall be entitled to issue Bond certificates as valid documents of title in respect of any Bonds then outstanding, as substitute to the electronic recording of ownership and title thereof.

6.24 ENFORCEMENT

At any time after the Bonds becoming due and payable and remaining unpaid, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds.

6.25 OTHER RIGHTS ATTACHING TO THE BONDS

The Bonds, while being transferable, are not negotiable and cannot be dealt with as a bill of exchange or under the laws applicable to bills of exchange or similar commercial banking instrument. However, the Bonds shall be capable of being pledged, ceded, sold, bequeathed, donated or dealt with in any way as may be ordinarily allowed under the Laws of Oman in respect of listed securities.

6.26 JOINT AND FRACTION HOLDINGS

No joint holdings of a Bond shall be capable of registration. Each Bond shall be registered in the name of a single person or a single legal entity. The Issuer shall not be held responsible for any misappropriation, loss or damage which any person may suffer due to a loss arising from a holding which is, directly, or indirectly jointly held. No person shall be capable of registering a fraction of a holding of a Bond.

6.27 DOCUMENTS FOR INSPECTION

The Articles, the Trust Deed and the audited financial statements of the Bank shall be available for inspection with the Trustee, at the specified offices of the Trustee and with the Issue Manager.

6.28 APPLICABILITY OF THE RULES & REGULATIONS

The issue of the Bonds shall be governed by the CCL, the Capital Market Law and its Executive Refutations and the Laws of Oman. To the extent that any clause herein does not comply with, or contradicts any Article or Chapter of such Law, the Law shall override the provision contained in these terms and conditions. Nothing contained herein shall preclude any matter or dispute arising from the Bond issue from being adjudicated by a competent court of Oman. As the Bond issue is to meet the Additional Tier 1 capital requirements of the Bank, the rules and regulations of the Central Bank of Oman shall have an overriding influence on this current issue.

6.29 TRUSTEESHIP

MCD will be appointed as Trustee to the Bondholders to oversee the compliance of the Issuer with the terms and conditions of the issue, and to oversee, co-ordinate and monitor the status and the rights of the Bondholders.

6.30 GOVERNING LAW AND JURISDICTION

These terms and Conditions shall be governed by and construed in accordance with the Laws of Oman and any disputes arising between the Trustee, on behalf of the Bondholders and the Bank in respect of these Terms and Conditions or any interpretation thereof shall be subject to amicable negotiations between the Bank and the Trustee on behalf of the Bondholders. Failing a satisfactory resolution of the dispute, the disputed matter may be referred to the exclusive jurisdiction of the Primary Commercial Court of Oman for its adjudication.

7. RIGHTS AND RESPONSIBILITIES

7.1 TRUSTEE

7.1.1 The following are the main rights and responsibilities of the Trustee

- Monitor material contracts, events, actions & announcements (including publication of annual financial statements) entered into or announced by the Issuer, from time to time. The Issuer shall inform the Trustee of any material transaction or contract that could be judged to affect the rights of Bondholders.
- Periodically confirm for itself the compliance by the Issuer with its obligations to make interest payments.
- Generally oversee that the terms and conditions of the Bonds, and of the trust deed, are adhered to by the Issuer.
- Act upon any reasonable request of a Bondholder, the auditors of the Issuer, the MOCI, CBO, MSM, CMA, or the Issuer itself, who may alert the MCD to a situation which may constitute an event or breach which has, or potentially may have a material effect on the rights of the Bondholders.
- Act as intermediary in resolving any material dispute arising between the Issuer and any individual Bondholder, or collective number of Bondholders, on issues directly relevant the terms and conditions attaching to the Bonds.
- In the event that the Issuer breaches any term, fails to make any timely payment due and payable to a Bondholder, or in the event that any material event takes place which in the opinion of the Trustee is deemed to have, or potentially materially affect the rights of the holders of the Bonds, the Trustee shall have the right to take actions in accordance with the procedures set out in the Trust Deed, so as to maintain and protect the rights of the Bondholders as a separate class of stakeholder of the Issuer.

Further Article 27 of the Executive Regulations of Capital Market Law provides for the following:

The Trustee shall monitor the company's performance in respect of its obligations as mentioned in the prospectus and to protect Bondholders' interests. In particular, it shall be responsible for the following:

- Calling for periodical reports from the Bank and inspecting its books of accounts, records, registers, the Bank's assets and the documents and reports related to the credit rating of the Bank.
- Ensuring that the interest due on the bonds have been paid to the bondholders on due dates.
- Calling or causing to be called, the general meeting of Bondholders on any event which may affects the interests of the Bondholders or on a requisition by one or more Bondholders who own at least 10% of the total issued bonds.

- Monitoring the issuer's execution of the terms and conditions for security for the bonds and that the security is sufficient to discharge the claims of bondholders as and when they become due.
- Verifying that the bonds are redeemed or converted into shares in accordance with the provisions and conditions contained in the Prospectus.
- Ascertaining that the funds raised through the issue of the bonds are utilized in accordance with the prospectus.
- Carrying out such other acts as necessary for the protection of the interests of the Bondholders.

However, the provisions relating to creation of security and conversion into shares are not applicable for this Issue and the provision for redemption is limited to certain specified Conditions.

The Trustee may seek the assistance of experts and professionals to perform its duties, without prejudice to their responsibility.

7.1.2 Rights and Powers of the Trustee

The Trustee shall have the following specific powers, in addition to any other powers that may be conferred upon it by the Laws of Oman:

- The Trustee shall forthwith upon any breach, regulatory failure, negligent act, or similar act or omission on the part of the Issuer, bring such matter to the attention of the issuer, by way of written letter addressed to the Chief Executive of the Issuer. The parties shall use their best endeavor to restore any procedural issue, breach, and/or reach a fair and reasonable settlement of such matter. Where appropriate and agreed with the Issuer, the Trustee shall be entitled to decide and rule upon matters on behalf of the Bondholder without calling a meeting of Bondholders.
- In the event that the Issuer fails to remedy any breach or action a reasonable time period of having been given due notice by the Trustee to do so, or in the event that the Issuer unilaterally commits an act which may have a material effect on the holders of the Bonds, the Trustee shall be entitled to take such actions as it seems appropriate. Where possible and practical, depending on circumstances, Trustee shall act upon a decision of a meeting of Bondholders, by decision on a vote by the applicable majority. The Trustee shall also act upon an order or the guidance of duly empowered regulatory authorities in Oman.
- Where the issue to be decided upon is of a legal nature or based upon a dispute of facts, the Trustee shall have the right to approach an Attorney, or a court of law. The Trustee shall be entitled in all matters, unless it is proven that it acted negligently, recklessly, or not in the collective interest of the Bondholder, to be reimbursed by the issuer within reasonable limits, for defending any legal actions arising from, or conducting any case relating to its office as Trustee, or matter of dispute as described above.
- In the event of meeting of the Bondholders taking place, it shall be convened and held in accordance with the procedure for meetings as contained in the Terms and Conditions of the Issue of bonds.
- The Trustee shall be provide by the issuer with the following documentation by the Issuer:
 - Quarterly and yearly financial results of the Issuer.

- A copy of all notices of General Meetings of Shareholders of the Issuer.
- The Trustee shall be entitled to attend General Meetings of the Issuer, and where applicable shall be entitled to address such meeting as and when deemed appropriate by the Chairman of such meeting.
- The Trustee shall be entitled to request certain information from the Issuer in order of it to perform its function appropriately and diligently. All reasonable requests of the Trustee shall be duly considered by the Issuer, who shall manage all ongoing communication with the Trustee through the office of its internal legal department. The Issuer shall not be obliged to provide information beyond what may be reasonable deemed to be appropriate.

7.2 BONDHOLDER'S RIGHTS

The Bondholders shall enjoy equal rights inherent in the ownership of Bonds as follows:

- In the event the Bank exercises its Call Option, the right to receive principal amount of the Bonds in accordance with Chapter 6 of this Prospectus.
- The right to receive interest payable on the Bonds in accordance with Chapter 6 of this Prospectus.
- The right to dispose or transfer the Bonds in accordance with Chapter 6 of this Prospectus and the Laws of Oman.
- In the event of the liquidation of the Bank, the right to claim any amounts outstanding under the Bonds in priority only to claims of the holders of ordinary equity shares of the Bank.
- The right to participate in Bondholders' meetings and to vote at such meetings in accordance with the provisions of the Trust Deed and the CCL.
- The Bondholder shall have no right to participate in any other meetings of the Bank.

8. RELATED PARTY TRANSACTIONS

The Bank accepts deposits from its directors and other related concerns including its affiliate banks. Similarly, the Bank provides loans and advances, and other banking services to these parties. These transactions are entered into in the normal course of the Bank's business, on an arm's length basis at open market prices. All loans and advances to related parties are performing advances and are free of any provision for possible credit losses.

8.1 MANAGEMENT SERVICE AGREEMENT WITH A SHAREHOLDER

Oman Arab Bank has a management agreement with Arab Bank Plc Jordan, which owns 49% of the bank's share capital. In accordance with the terms of that management agreement, Arab Bank Plc Jordan provides banking related technical assistance and other management services, including the secondment of managerial staff. The annual fee payable to Arab Bank is 0.3% of the Bank's net profit after tax.

8.2 OTHER RELATED PARTIES TRANSACTIONS

As on 30th September, balances with directors and other related parties were as follows:

	30 th September 2016 (RO '000)		30 th September 2015 (RO '000)	
Transaction	Major Shareholders	Others	Major Shareholders	Others
Loans and advances	21,000	46,296	19,500	46,404
Customer Deposits	1,147	5,765	2,932	9,978
Investments	-	438	-	458
Due from Banks	11,877	-	13,274	-
Due to Banks	2,686	-	7,155	-
Standby Letter of Credit	57,750	-	48,125	-
Letters of credit, guarantees, acceptances	209,719	6,759	236,256	3,506

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

	30th September 2016 (RO '000)		30th September 2015 (RO '000)	
Transaction	Major Shareholders	Others	Major Shareholders	Others
Interest and Commission Income	585	1,068	55	672
Interest and Commission Expense	434	10	324	1

9. FINANCIAL HIGHLIGHTS

The summarized financial performance of the Bank (as per audited financial statements) for the years 2013 to 2015 and the period ended 30th September 2016 is presented below. The complete financial statements are available on the Bank's website.

	RO '000 unless otherwise indicated			
	2013	2014	2015	Q3-2016
	----- Audited -----			Un-Audited
Net interest income	42,452	43,843	49,134	37,621
Other operating income	21,376	27,973	30,620	18,614
Net operating income	63,828	71,816	79,754	56,235
Operating expenses	(33,798)	(37,416)	(43,523)	(33,376)
Provision for loan impairment	(6,351)	(8,885)	(13,327)	(11,039)
Other income (loss)	4,999	6,871	9,971	3,802
Taxation	(3,655)	(3,986)	(3,864)	(2,100)
Net Profit after taxation	25,023	28,400	29,011	13,522
Dividend	11,600	13,920	11,600	-
 Total Assets	 1,456,355	 1,816,091	 1,982,699	 2,076,160
Gross loans and advances	1,109,045	1,296,826	1,564,384	1,697,726
Provision for loan impairment	(34,315)	(36,991)	(44,813)	(53,837)
Net loans and advances	1,074,730	1,259,835	1,519,571	1,643,889
Non-performing loans	36,613	38,185	44,842	49,604
Customer deposits	1,149,153	1,468,313	1,601,162	1,684,029
Shareholders' funds	187,152	201,259	214,419	238,225
Share capital	116,000	116,000	116,000	127,000
 Analysis				
1. Profitability				
Return on shareholders' funds	13.91%	14.62%	13.96%	7.89%
Return on total assets	1.77%	1.74%	1.53%	0.89%
Cost to income	52.95%	52.10%	54.57%	59.35%
2. Capital				
Capital adequacy (BIS standard)	16.52%	15.14%	14.22%	13.78%
Shareholders' funds/ Total assets	12.85%	11.08%	10.81%	11.47%
3. Asset Quality				
Non-performing loans to total loans	3.30%	2.94%	2.87%	2.92%
Provision coverage	93.72%	96.87%	99.94%	108.53%
4. Liquidity				
Net loans to customer deposits	93.52%	85.80%	94.90%	97.62%
Net loans to total assets	73.80%	69.37%	76.64%	79.18%
Liquid assets to customer deposits	26.19%	31.39%	23.25%	20.13%
5. Others				
Dividend rate	10.00%	12.00%	10.00%	-
Dividend per share in RO	0.010	0.012	0.010	-
Basic earnings per share in RO	0.022	0.025	0.025	0.015

9.1 NOTES :

CAPITAL:

The principal objective of the Central Bank of Oman's (CBO) capital adequacy requirement is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a bank's balance sheet, in particular credit risk. CBO's risk based capital adequacy framework is consistent with the international standards of the Bank of International Settlement (BIS).

CBO requires the banks' registered in the Sultanate of Oman to maintain the capital adequacy a minimum of 12% based on guidelines of the Basel II accord from December 2010 onwards. The transition period of phasing-in of regulatory adjustments of capital under Basel III in Oman would be from December 31, 2013 to December 31, 2017. CBO requires the banks in Oman to maintain a capital conservation buffer (CCB) of 0.625% in addition to the minimum capital of 12% from 1 January 2014 to 31 December 2016. Additional CCB of 0.625% must be maintained annually between 1 January 2017 and 31 December 2018.

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

	30-Sep-16	30-Sep-15
	RO 000	RO 000
Capital		
Tier 1	234980	198880
Tier 2	40925	37264
Total capital base	275904	236144
Risk weighted assets		
Credit risk	1,864,141	1,705,500
Market risk	3,338	4,588
Operational risk	134,625	122,800
Total risk weighted assets	2,002,104	1,832,888
Capital adequacy ratio %	13.78%	12.88%

The Tier 1 capital consists of paid-up capital and reserves. The Tier 2 capital consists of the collective provision made for the loan impairment on the performing portion of the loans and advances against the losses incurred but not identified.

LOANS AND ADVANCES

Loans and advances	30-Sep-16	30-Sep-15
	RO 000	RO 000
Commercial loans	797,432	758,831
Overdrafts	147,246	148,106
Personal loans	685,344	576,356
Credit cards	4,681	4,941
Al-Yusr Financing activities	63,023	40,937
	1,697,726	1,529,171
Less: Allowance for loan impairment and	(53,837)	(43,085)
	1,643,889	1,486,086

(a) Allowance for loan impairment

The movements in the allowance for loan impairment are as follows:

30th September, 2016	<i>Allowance for loan impairment RO' 000</i>	<i>Contractual interest not recognized RO' 000</i>	<i>Total RO' 000</i>
Opening Balance	37,432	7,381	44,813
Provided during the period	11,039	1,820	12,859
Amounts written off during the period	(16)	(18)	(34)
Amounts released/recovered during the period	(3,127)	(675)	(3,802)
Ending Balance	45,328	8,508	53,836

30th September, 2015	<i>Allowance for loan impairment RO' 000</i>	<i>Contractual interest not recognized RO' 000</i>	<i>Total RO' 000</i>
Opening Balance	30,651	6,339	36,990
Provided during the period	9,129	1,852	10,981
Amounts written off during the period	(51)	(28)	(79)
Amounts released/recovered during the period	(3,672)	(1,135)	(4,807)
Ending Balance	36,057	7,028	43,085

Total allowance for the potential loss on the performing loans as at 30 September 2016 is RO 23,119,046 (30 September 2015: 19,749,625). The Central Bank of Oman regulations require that the allowance for impaired loan account should be the higher of the provision determined in accordance with IAS 39 and Central Bank of Oman guidelines. Loans and advances on which interest has been reserved and/or has not been accrued amounted to RO 49,603,959 (30 September 2015: RO 43,649,964).

(b) Concentration of loans and advances

All loans and advances were granted to customers within the Sultanate of Oman. The concentration of gross loans and advances by economic sector is as follows:

	30-Sep-16	30-Sep-15
	RO 000	RO 000
Personal loans including credit cards	722,426	608,073
Construction	283,836	107,009
Transportation	97,325	121,281
Manufacturing	114,085	162,097
Mining and quarrying	107,915	71,110
Services	73,365	48,018
Financial Institutions	55,926	58,876
Import trade	61,599	69,815
Wholesale and retail trade	49,609	78,537
Utilities	45,445	69,759
Agriculture and allied activities	6,197	6,333
Export trade	757	882
Government	547	4,209
Others	78,694	123,172
	1,697,726	1,529,171

INVESTMENT SECURITIES

	30-Sep-16	30-Sep-15
	RO' 000	RO' 000
Available for sale		
- quoted	17,247	18,541
- unquoted	901	847
	18,148	19,388
Designated at fair value through profit or loss		
- quoted	418	458
- unquoted	330	314
Total investments at fair value through profit or loss	748	772
Held for trading		
- quoted	57	83
- unquoted	-	-
	57	83
Held to maturity		
Oman Government Development Bonds	58,401	53,332
Treasury Bills	40,000	43,110
Total investments held to maturity	98,401	96,442
Total investments in securities	117,354	116,685

CUSTOMER CONCENTRATIONS

	Assets			Liabilities		
	<i>Due from banks</i>	<i>Gross loans and advances</i>	<i>Investment securities</i>	<i>Deposits from customers</i>	<i>Due to banks</i>	<i>Contingent liabilities</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
31-Dec-15						
Personal	-	635,288	-	445,575	-	200
Corporate	83,226	927,138	21,503	734,884	9,404	683,066
Government	-	1,958	96,854	420,703	-	176,596
	<u>83,226</u>	<u>1,564,384</u>	<u>118,357</u>	<u>1,601,162</u>	<u>9,404</u>	<u>859,862</u>
31-Dec-14						
Personal	-	528,666	-	395,717	-	35
Corporate	95,758	764,777	24,489	661,900	5,891	577,901
Government	-	3,383	50,402	410,696	-	337,078
	<u>95,758</u>	<u>1,296,826</u>	<u>74,891</u>	<u>1,468,313</u>	<u>5,891</u>	<u>915,014</u>

Status of tax assessments

The assessments for the years up to 2010 are complete. The assessments for 2011 to 2014 are not yet finalised by the Tax Authorities. Management believes that no significant further liabilities will be incurred by the bank on completion of the pending tax assessment as compared to the existing provision established.

9.2 ANALYSIS

The Bank has delivered consistent performance over several years owing to its steady net interest margin, strong non-interest revenue base and reasonable provision charge.

The Bank's net interest income rose by a good 12% to OMR49mn in 2015 due to the strong growth in lending (net loans increased by 21% year-on-year in 2015). Operating costs rose by 16% to OMR44mn in 2015 due to increased headcount and the expansion of the branch network, resultantly the cost to income ratio at 55%, has also increased. Profit after tax at RO 29mn in 2015 was at the same level as in 2014, primarily on account of the increased operating cost and the fact that most of the asset growth took place in the last quarter of the year.

OAB's interest margin has been healthy over the last several years primarily due to its low funding cost. OAB's high demand and call balances, which formed a substantial 42% of its customer deposits at end 2011, contribute to its historically low funding cost.

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OAB's large non-interest income is a major strength. These revenues represented about 1.54% of average total assets in 2015. The Bank earns sizeable fees and commissions from its off-balance sheet business (which is also fairly large). Foreign exchange trading profits also make a good contribution.

Gross loans increased by RO 268 million (22%) during 2015 to RO 1,564 million at December 31 2015 from RO 1,297 million at December 31 2014. The gross loans have further increased by RO 133 million to reach RO 1,698 million as of September 30, 2016. The personal loans increased by 20% while the corporate loans increased by 21%. Non-performing loans decreased to 2.87% of the total loans from 2.94% at December 2014 as there was no significant increase in non-performing loans during 2015. The non-performing loans to total loans slightly increased to 2.92% as of September 30, 2016. The total provision coverage at September 30 2016 is 108.5% of the non-performing assets as compared to 99.9% at December 31 2015.

OAB's investments accounted for 6.0% of total assets at end 2015. The portfolio comprised mainly of Omani government bonds which were classified as held-to-maturity. The investments to total assets decreased to 5.6% as of September 30, 2016. The bank has no investments in Central Bank Certificates of Deposit currently.

Customer deposits, which constitute almost 92% of the liabilities, increased by 9% to reach RO 1601 million at 31 December 2015. The deposits further increased by 5.2% to reach RO 1684 million as of September 30, 2016.

Shareholders' funds increased to RO 214.42 million from RO 201.26 million as of December 31, 2015 from the previous year. The shareholder's fund further increased to RO 238. 23 million as of September 30, 2016. The paid-up share capital was increased to RO 127 million in September 30, 2016. The increase was to enhance the Bank's net worth and also to meet the regulatory requirement. Capital adequacy ratio calculated in accordance with the guidelines issued by Bank for International Settlement (BIS) was 14.22% (2014: 15.14%). The capital adequacy ratio dropped slightly to 13.78% as of September 30, 2016.

9.3 PREVIOUS BOND ISSUES

The Bank issued non-convertible unsecured subordinated bonds of RO 50 Million (50,000,000 bonds of RO 1 each) for a tenor of five years and one month in April 2012 through private placement. The bonds are listed in the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate of 5.5 % per annum, payable semi-annually with the principal payable on maturity. As of date, all interest payments have been made to the bondholders on the due dates.

9.4 LITIGATIONS

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

10. CORPORATE SNAPSHOT AND BUSINESS

The Bank was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock company and it acquired the branches of Arab Bank which were operating in Oman since 1973. In 1992, OAB purchased nine branches from Omani European Bank (OEB), significantly increasing its retail assets. Two years later, OEB closed its operations in Oman and transferred its remaining assets (largely corporate) to OAB. Since then, OAB has expanded its branch network and substantially grown its retail funding base.

OAB is principally engaged in commercial and investment banking activities through a network of branches in the Sultanate of Oman. The Bank operates in Oman under a banking license issued by the Central Bank of Oman and is covered by its deposit insurance scheme. The Bank has a management agreement with Arab Bank Plc Jordan, which owns 49% of the Bank's share capital. In accordance with the terms of that management agreement, Arab Bank Plc Jordan provides banking related technical assistance and other management services, including the secondment of managerial staff.

10.1 CAPITAL AND STATUS

The Bank is currently incorporated as a SAOC entity with an authorized share capital of the Bank is RO 200 million. The issued and fully paid-up share capital as of date is RO 127 million.

10.2 SHAREHOLDING

The shareholding pattern of the Bank as of date is as under:

Name of the shareholder	Country of incorporation	Shareholding %	Shareholding amount (RO million)
Oman International Development & Investment Co. SAOG ("Ominvest")	Oman	50.99	64.757
Arab Bank Plc	Jordan	49.00	62.230
Oman Investment Services SAOC	Oman	0.01	0.013
Total		100%	127.00

Arab Bank was established by the Late Abdul Hameed Shoman in Palestine in 1930. With headquarters based in Amman, Jordan, the group's has presence throughout the Middle East and North Africa (MENA), Europe, North America, the Far East and Australia with 600 branches in 5 continents. The group is known for its conservative strategies, high liquidity and consistent profitability. The Arab Bank group reported a net income after tax and provisions amounted to USD 617.9 million at the third quarter of 2016. The bank's shareholders' equity reached USD 8.3 billion as at 30th September 2016.

Ominvest (Oman International Development and Investment Company SAOG) is among the longest established investment companies in the Gulf region and one of the first to be listed both in Oman and the region. It has built its success on the solid foundations of consistent performance from its portfolio of investments within and outside the Sultanate over the 30 years of its existence. Ominvest is active in the areas of strategic investments and industrial, real estate, private equity and capital markets.

10.3 BUSINESS:

The Bank operates in the Sultanate of Oman and over 65 branches spread across the main centres of the country. The Bank has no overseas branches, but makes use of the worldwide network of the Arab Bank group.

For management purposes, the Bank is organised into four operating segments based on products and services as follows:

Personal Banking	: Individual personal loan, overdraft, credit card and funds transfer facilities.
Corporate Banking	: Loans and other credit facilities for corporate and institutional customers.
Investment Banking	: Asset management services involving investment products and services to institutional investors and intermediaries and other Investment Banking services including corporate finance, merger and acquisition advice, specialized investment advice and trading.
Al Yusr Islamic	: Shari'a compliant products.

Support and unallocated functions: Treasury and other central functions.

11. CORPORATE GOVERNANCE, BOARD, TOP MANAGEMENT

This section summarises the Company's corporate structure effective as at the date of this Prospectus and the Articles of Association. The description provided hereafter does not purport to give a complete overview of the Articles, nor of relevant provisions of Omani law or the CMA circulars; neither should it be considered as legal advice regarding these matters. A copy of the Articles of Oman Arab Bank SAOC is available from the registered office of the Bank.

11.1 Corporate Governance

The Bank 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 the Bank and it was approved by the Board in its meeting on 15/06/2015. An up-to-date version of the Code is on the Bank's website (www.oman-arabbank.com).

11.1.1 OAB's approach to corporate governance

Oman Arab Bank attaches considerable importance to the good corporate governance practices and the Board of Directors committed to applying the highest standards of professional competence in all its activities. The Bank 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 the Bank's legal form.

11.1.2 OAB's Governance Framework

The Bank has a well-established framework for good corporate governance which provides a solid basis for an effective relationship between the Bank, its Board of Directors, 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.

11.1.3 Role of the Board

General principles:

- i) The prime responsibility of the Board is to protect and maximize the interests of the shareholders on the long term. For this purpose the Board bears the full responsibility of corporate governance, including setting up of the strategy of the Bank, setting up the goals of the executive management and overseeing the implementation to achieve such goals.
- ii) The Board of Directors has overall responsibility for the operations and the financial soundness of the Bank and ensures that the interests of shareholders, depositors, creditors, employees, and other stakeholders, including the Central Bank of Oman, are met. The Board ensures that the Bank is managed prudently and within the framework of laws and regulations and the Bank's own policies.
- iii) The Bank affirms that the obligations of each Director are owed to the Bank as a whole, and not to any particular shareholder.
- iv) The Board sets the Bank's strategic goals, as well as overseeing the executive management of the Bank. The day-to-day operation of the Bank is the responsibility of executive management, but the Board as a whole ensures and certifies that internal control systems are effective and that the Bank's activities comply with strategy, policies and procedures approved

by the Board or as required by law or regulation, As a critical part of these internal controls, the Board ensures that all dimensions of the Bank's risk are managed properly.

v) The members of the Board of Directors 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 Board of Directors are responsible to the Bank 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 Board comprises of nine members elected by the Annual General Assembly for a term of three years.

Meetings of the Board

The 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.

11.1.4 Board Committees

Currently there are four Board Committees whose powers are governed by the relevant committee's terms of reference, as approved by the 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.

11.1.5 Brief description of the Board Committees

a) Audit Committee

The Audit Committee reviews the internal control systems of the Bank, the scope of the internal and external audit and the Bank's accounting policies. It ensures the independence of the internal and external audit, the existence of appropriate resources and skills within the Bank's internal audit function and provides its recommendation on the appointment/ re-appointment of the external auditor.

b) Board Credit Committee

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

c) Board Compliance and Risk Management Committee

The Board Compliance and Risk Management 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 compliance and regulatory issues.

d) Board Selection and Remuneration Committee

The purpose of the Board Selection & Remuneration 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.

11.1.6 Shariah Supervisory Board

The Bank 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

11.1.7 Controlling and Managing Risk

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 the Bank's business and to building shareholder value. To do this effectively the Bank needs to optimize its level of risk. The Bank's risk approach links its vision and values, objectives and strategies, and procedures and training.

The Bank 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 the Bank;
- 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 the Bank takes an integrated approach to managing them.

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 all of the activities.

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, reporting directly to the CEO and also reporting to the Board Audit & Risk Management Committee.

11.1.8 Communication with Shareholders, Regulators and Wider Market

The Bank is committed to giving all shareholders comprehensive and equal access to information about the Bank's activities and fulfilling its continuous disclosure requirements to the broader markets including the regulatory authorities namely Central Bank of Oman, Capital Market Authority and Muscat Securities Market.

11.1.9 The Board of Directors

A brief profile of the directors is given below:

1) Mr. Rashad Bin Muhammed Al Zubair - Chairman

Appointed Chairman in June 1999, Mr. Rashad Al Zubair has more than 21 years of business experience. He is the Chairman of The Zubair Corporation and has served as Vice Chairman of Ominvest since 1996 till the 2011. Mr. Rashad Al Zubair was a member of the Board of Directors of Capital Market Authority 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.

2) Mr. Mr. Wahbe Tamari– Deputy Chairman

Mr. Tamari is 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 deep understanding and passion for commodities began with his internship 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 9 sourcing operations in producing countries across Africa, Asia and South America.

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 Lebanese Diaspora organization 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 started his career as a coffee trader at Sucafina SA, Geneva.

He is a graduate of Webster University Geneva with a BA in Management and Harvard Business School in 2013 Owner/President Management OPM 43.

3) **Ms. Randa Sadik**

A Board Member of Oman Arab Bank and a Deputy Chief Executive Officer of Arab Bank since July 2010, Ms. Sadik has broad international banking experience built over 25 years.

Before joining Arab Bank, Ms. Sadik served as Group General Manager for National Bank of Kuwait, responsible for the bank's international and regional network of branches and subsidiaries. Ms. Sadik is also a board member of Arab Tunisian Bank in Tunis, Vice Chairman of Arab Bank Australia Ltd, a board member of Arab Investment Bank S.A.L.-Lebanon, Chairman of Al Arabi for Finance (Holding co.) S.A.L.-Lebanon and Chairman of the Management Committee of Al-Arabi Investment Group. Ms. Sadik holds an MBA from the American University of Beirut (AUB).

4) **Mr. Hani Bin Muhammed Al Zubair**

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 Bachelors Degrees in Mathematical Science and Computer Science, and has been a keen sportsman.

5) **Mr. Mulham Bashir Al Jaraf**

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 a Deputy CEO since 2004, Mr. Mulham oversees the Group's Strategic Business Units (SBUs) and subsidiaries to support the diversification of the economy in Oman. Over 15 years of contributions to successful OOC operations, 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. In 1994, he started his career in the telecommunications sector as a Legal Researcher and Business Planning Officer with the General Telecommunications Company now 'Omantel'. Mr. Mulham contributes to the business community as the Chairman of Sohar Aluminum Company LLC, Salalah Methanol Company LLC, Takatuf Oman LLC, 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, Oman Oil Refineries and Petroleum Industries Company SAOC, and Oman Arab Bank 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 in 1998. 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.

6) Mr. Abdulaziz Al Balushi

Mr. Abdulaziz Mohammed Al Balushi is the Chief Executive Officer of OMINVEST, major shareholder of Oman Arab Bank.

Abdulaziz 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 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 OER, 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. Abdulaziz started his career with Oman International Bank and prior to joining Ahli bank, he was Deputy CEO of National Bank of Oman. Abdulaziz 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. Abdulaziz 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 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 organization that sponsors outstanding Omanis for post graduate studies in the U.K.

7) Mr. Waleed Samhouri

Mr. Samhouri has a vast banking experience for more than 25 years with Arab Bank where he worked in different geographies and handled various responsibilities in the Credit, Banking Operations, Commercial and Trade Finance. He is the Senior Vice President- Credit Group for Gulf, Egypt, Subsidiaries and Affiliates at Arab Bank.

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

8) Mr. Imad Sultan

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. 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. 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.

9) Mr. Mohamad Al Masri

A Board Member of Oman Arab Bank since November 2015 and Country Manager of Arab Bank UAE since August 2011, Mr Masri has a banking experience of 20 years. Before joining Arab Bank, Mr. Masri was the Chief Banking Officer for Bank Audi Egypt.

His career has also seen him serve in a number of senior posts in Jordan, Palestine and Sudan working for Standard Chartered Bank, Arab Bank plc and Dubai Islamic Bank.

Mr. Masri holds a B.A. in Business Administration from the University of Jordan.

Management

The respective roles and responsibilities of the management bodies of the Bank are in large part governed by the provisions of the Commercial Companies Law, the Articles and by the Bank's Code of Corporate governance.

The management of strategic issues of the Bank is entrusted to the Board of Directors. The Board may perform all acts necessary or useful for achieving the corporate purposes of the corporate entity, with the exception of those acts that are by law or the Articles explicitly reserved for the shareholders. The day-to-day management of the Bank is performed by the management team.

The senior management team of the Bank:

- i) Amin Al Hussein- Chief Executive Officer
- ii) Rashad Al Musafir- Deputy Chief Executive Officer
- iii) Al Salt Mohamed Ali Al Kharusi- GM Corporate & Institutional Banking Group
- iv) Fahd bin Amjad- GM Retail Banking Group
- v) Ali Hassan Moosa- Chief Information Officer
- vi) Loai Badie Ahmed Bataineh- Head of Investment Management Group
- vii) Kartik Natarajan- Chief Financial Officer
- viii) Mustafa Srou- Chief Technology Officer
- ix) Lamees Taqi Mohamed Al Baharna- Chief Risk Officer
- x) Mansoor Alraisi- Chief Compliance Officer
- xi) Marwan AlKhouli- GM Head of Operations
- xii) Ali Moosa Abdul Redha Abdul Al Hussain- Head of Human Resource Division
- xiii) Abdullah Mohammed Abdulla Al Hooti- Head of Legal Affairs and Legal Advisor
- xiv) Narayanan Radha Krishnan- Head of Treasury Department
- xv) Faisal Mohammed Juma Al Baluchi- Head of Logistics
- xvi) Rashad Jaffar Mohammed Alshaikh- Deputy Head of Retail
- xvii) Mutassim Hamoud Al Zadjali- Head of Corporate Communication

12. SUBSCRIPTION CONDITIONS & PROCEDURES

Eligibility for the subscription of Bonds offered

The subscription to the Bonds is being offered only to select investors on private placement basis.

Prohibitions with regard to the Applications for subscription

The subscribers to the Bonds issued as mentioned hereunder shall not be permitted to participate in the subscription:

Local Banks- In line with CBO regulations, Local Banks cannot invest in the Bonds.

All applications made that violate the above prohibition shall be rejected without further reference to the applicant.

Neither the Bank nor a related entity can directly or indirectly purchase and own the Bonds, nor can the Bank directly or indirectly finance the ownership and purchase of the Bonds.

Shareholder's (Investor's) Number with Muscat Clearing and Depository Company SAOC (MCD)

1. Any person who desires to subscribe to the Issue must have an investor account with MCD as per its working form, which may be obtained from the MCD Head Office or its website or from brokerage companies. Each subscriber may open this account through the following outlets:
 - Head Office of MCD based in Commercial Business District, Muscat
 - Branch of MSM based in Salalah
 - Office of the Brokerage Companies that are licensed by MSM
 - By fax No. 24817491
 - By opening an account through the MCD website at www.csdoman.co.om
2. With regard to the investors who presently hold accounts with MCD, all investors shall be required, before the subscription, to confirm whether their accounts contain their basic particulars totally, that being the name in full, postal address, Civil Status No., as mentioned in the Personal Card (Civil) or Civil No., furnished in the Passport or Civil No., as provided for in the new Birth Certificate and details of the Bank Account. Every Bondholder may update his particulars through the outlets mentioned above.
3. All correspondence including notices and cheques shall be sent to the subscriber at the address recorded at MCD. Therefore, all subscribers shall verify the correctness of such addresses.
4. Each subscriber shall be required, after opening of the Account or updating of his particulars, to secure from MCD, the right number so as to have it registered in the Application for the subscription. The investor himself shall be responsible for verification of the number furnished in the Application for the subscription. The applications not bearing the correct Account Numbers shall be rejected without contacting the subscriber.

For more information on these Procedures, please contact:

Muscat Clearing and Depository Company SAOC

Tel. 24814827 - Fax. 24817491

<http://www.csdoman.co.om/>

Subscription Period

Subscription for the Issue shall start on the 26th December 2016 and shall close on the 27th December 2016 (both days inclusive).

The Bank may extend the subscription closing date with the approval of CMA.

Minimum and Maximum Application Size

The minimum number of Bonds for subscription will be 100,000 and the maximum is 30,000,000.

CONFIDENTIAL

Particulars of the Bank Account

- 1) Each subscriber shall be required to furnish the particulars of his Bank Account (Registered in the name of the Applicant). The subscriber shall not use the Bank Account Number of any other person except in case of minor children only.
- 2) If the Bank Account of the subscriber is registered with a bank other than the one receiving the subscription, he shall be required to submit a document in evidence of correctness of the Bank Account Particulars as provided for in the Application. This can be done by submitting any document from the Bank of the subscriber furnishing therein Number and Name of the Account Holder like the upper Portion of the Account Statement issued by the Bank containing these particulars only or a letter or any document issued by the said Bank containing the said information. The subscriber shall ensure that the evidence submitted is readable in a clear manner, containing Number and Full Name of the Account Holder. As additional clarification, it is made known that the subscriber is not obliged to submit the evidence with regard to correctness of his Bank Account if he is subscribing through the bank wherein he is maintaining his account. In this case, the bank shall be required to verify and confirm the correctness of the subscriber's Account through its specific System and Procedure or through the evidence submitted to it by the subscriber.
- 3) In accordance with the instructions issued by the CMA, the particulars of the Bank Account referred to above shall be recorded in the Registers of MCD and this account shall be used in the transfer of the excess funds of the subscription and distribution of the interest payable to the Bondholder available with the MCD. Whereas, with regard to the subscribers who have their Bank Accounts registered presently with the Registers of MCD, the Bank Account Number provided for in the Application for the subscription would be utilized only for the purpose of transfer of the excess sums.
- 4) The Application for subscription containing the Bank Account Number of a person other than the subscriber shall be rejected.

Documentation Required

- 1) Submission of a document confirming correctness of the Bank Account Number as provided for in the application for subscription in one case only that is being subscription through a bank other than the one with whom the subscriber has his account.
- 2) Copy of a valid Power of Attorney duly endorsed by the competent legal authorities in the event the subscription is on behalf of another person.
- 3) In case of applications by non-individuals, which are signed by a person in his/her capacity as an authorized signatory, a copy of adequate and valid documentation should be attached.

Mode of subscription

- 1) The subscriber shall be required to fill in the Application Form for the subscription and furnish all his particulars including the Shareholder Number available with MCD, Civil Number/Passport Number/ Commercial Registration Number or similar.
- 2) The subscriber shall be responsible for furnishing all his particulars, ensuring correctness and validity of the information provided for in the application. While emphasizing on it, the Bank receiving the subscription have been instructed to accept the applications for subscription that comply with all the requirements as provided for in the Application for subscription and Prospectus.
- 3) The subscriber shall be required, before filling the Application Form for subscription, to peruse the Prospectus and read the conditions and procedures governing the subscription with total care and importance.

- 4) The subscriber shall be required to submit the Application Form to the Collecting Bank along with the payment towards the Bonds and also ensure that the documents in support of the information furnished referred to above are enclosed.
- 5) In case of payment of the value of the subscription by Cheque/Demand Draft, it shall be in favour of **“OAB Perpetual Bonds Issue”**.

Bank receiving the subscription

The applications for subscription shall be accepted by **Oman Arab Bank SAOC** (“the Collecting Bank”) during the official working hours only.

The Bank receiving the subscription shall be required to accept the application for subscription after confirmation of compliance of the procedure and subject matter in line with the requirements as provided for in the Prospectus. Hence, the Bank must instruct the subscribers to comply and fulfill any requirement that may appear in the application submitted.

The subscriber shall be responsible for submission of his application for subscription to the Bank receiving the subscription before closing of the period for subscription. In this regard, the Bank shall have the right not to accept any application for subscription that reaches it after the official working hours on closing date of the period for subscription.

Acceptance of the Applications for subscription

The Bank receiving the subscription shall neither receive nor accept the Applications for subscription under the following circumstances:

- 1) If the Application for subscription does not bear the signature of the Applicant.
- 2) In case of failure to pay the value of the Bonds subscribed in accordance with the conditions provided for in the Prospectus.
- 3) If the value of the Bonds subscribed is paid through cheque and if the same is dishonored for whatever reason.
- 4) If the Application for subscription is not bearing the MSM No., available with MCD.
- 5) If the Folio Number furnished in the Application for subscription is noted to be incorrect.
- 6) If the subscriber submits more than one application in the same name, all of them shall be rejected.
- 7) If the Supporting Documents referred to in the Prospectus are not enclosed with the Application for subscription.
- 8) If the Application does not contain all the particulars of the Bank Account of the Applicant.
- 9) If all the particulars of the Bank Account held by the Applicant as provided for in the Application are noted to be incorrect.
- 10) If the particulars of the Bank Account provided for in the Application are found to be not relevant to the Applicant.
- 11) In case of failure to have the Powers of Attorney attached with the Application as provided for in the Prospectus in respect of the Person who subscribes and (sign) on behalf of another Person.
- 12) If the Application has not complied with the legal and organizational requirements as provided for in the Prospectus.

If the Bank observes, after receipt of the application and before expiry of the time schedule prescribed for handing over of the applications in a final manner to the Issue Manager, that the application has not complied with the legal requirements as provided for in the Prospectus, due effort would be taken for contacting the Applicant so as to correct the mistake detected. In case of failure to have the mistake corrected within the period referred to, the Bank receiving the subscription shall be required to return the application for the subscription together with the

subscription value before expiry of the period specified for handing over of the applications to the Issue Manager.

Refusal of subscription Applications

The Issue Manager may reject the subscription Applications under any of the conditions referred to above, after securing the approval of the CMA and submission of a comprehensive report furnishing the details of the subscription Applications that are required to be rejected and reasons behind such rejection.

Enquiry & Complaints

The subscribers who intend to seek clarification or file complaints with regard to the issues related to the allotment or rejected applications or refund of the funds in excess of the subscription may contact the Branch of the Bank where the subscription was made. In case of absence of any response from the Branch, the subscriber may contact the person concerned as hereunder:

Bank	Person in Charge	Postal Address	Phone No.	Fax No.	Email
Oman Arab Bank	Ms. Sahar Kamal AL- Zagha	P.O.Box: 2010, Ruwi,, Postal Code 112,, Sultanate of Oman	+968 24754311	+968 24125125	s.zagha@oabinvest.com

Allotment Letters and Refund of Money

The Bank will make efforts to complete the allotment of Bonds as per the timetable below, subject to the approval of all relevant authorities. No physical certificates will be issued for the Bonds allotted.

Proposed Timetable

Procedure	Date
Commencement of subscription	26 th December 2016
Closing of subscription	27 th December 2016
Due date for the Issue Manager to receive the subscription data and final registers of the subscribers from the bank	28 th December 2016
CMA approval for allotment and Issue Date	29 th December 2016
Refund Date	29 th December 2016
Listing of the Bonds on the MSM	4 th January 2017

Listing & Trading of the Bonds of the Issuer

The Bonds will be listed on the MSM.

Responsibilities & Obligations

The Issue Manager, the Collecting Bank and the MCD shall abide by the responsibilities and duties specified under the Regulations issued by the CMA and shall comply with by any other responsibilities and obligations set out in the agreements entered into between them and the issuer. The parties concerned shall be required to take remedial measures with regard to the damages arising from any negligence committed in the performance of the functions and responsibilities assigned to them. In such event the Issue Manager shall liaise with relevant authorities such as CMA and MSM for taking suitable steps and measures for repairing such damages.

13. UNDERTAKINGS

13.1 ISSUING COMPANY: OMAN ARAB BANK SAOC

The directors of the Bank jointly and severally confirms that, to the best of their knowledge:

- The information provided in this Prospectus is true and complete.
- Due diligence has been undertaken so as to avoid omission of any important facts or information that would have made the expressions in the Prospectus misleading.
- That all the provisions set out in the Capital Market Law promulgated by Royal Decree 80/98 as amended and the CCL and the rules and regulations issued pursuant to them have been complied with.

Signed on behalf of the Board of Directors:

S. No.	Name	Designation	Signature
1			Sd/-
2			Sd/-

13.2 ISSUE MANAGER: INVESTMENT MANAGEMENT GROUP, OMAN ARAB BANK SAOC

In accordance with the responsibilities assigned to us pursuant to the Provisions laid down in Article 3 of the Capital Market Law, Executive Regulations and Instructions issued by the Capital Market Authority, we have reviewed all the relevant documents and other material required for the preparation of the Prospectus pertaining to the Issue of Bonds of **Oman Arab Bank SAOC**.

The Board of Directors of **Oman Arab Bank SAOC** shall bear the responsibility with regard to correctness of the information provided for in the Prospectus, and they have confirmed not to have deleted any material information from it, omission of which would have made the Prospectus misleading.

We confirm that we have taken due diligence as required by the profession with regard to the Prospectus that has been prepared under our supervision. On the basis of the review works referred to above and discussion with the issuer of the securities represented by the Issuer Company, its directors/founders, officers and other related parties and on the basis of the review carried out by us with these authorities concerned with regard to the subject matter of the Issue and contents of the documents submitted to us, we confirm the following:

- 1) We have taken necessary and reasonable due diligence in ensuring that the information furnished to us by **Oman Arab Bank SAOC** and that contained in the Prospectus are consistent with the facts available in the documents, material and other documents pertaining to the Issue.
- 2) On the basis of our perusal and information made available to us by the Issuer, it is hereby confirmed that the Issuer has neither concealed any fundamental information nor omitted any important information omission of which would have made the Prospectus misleading.
- 3) The Prospectus and the private placement to which it relates are consistent with all the rules and conditions governing the transparency as provided for in the Capital Market Law as amended, the Executive Regulations of the Capital Market Law and applicable Specimen Prospectus available with the Capital Market Authority. Also noted to be in conformity with the Commercial Companies Law as amended and the directives and decisions issued in this regard.
- 4) The data and information which have been presented in the Prospectus in Arabic (with its unofficial translation in English) are correct, reasonable and adequate as per our perusal so as to assist the investor in taking an appropriate decision whether or not to invest in the Bonds offered in accordance with the rules and conditions governing the transparency.

Issue Manager

Sd/-

Investment Management Group, Oman Arab Bank SAOC

13.3 LEGAL ADVISOR:

The Legal Advisor, whose name appears below, hereby confirms that the prospectus has been verified from the perspective of Issuer's compliance to the legal requirements related to private placement and that all the non-financial particulars and information set out in the Prospectus are consistent and in conformity with the laws and regulations of Oman relevant to the activity of the Issuer, the Commercial Companies Law, the Capital Market Law and their implementing regulations and directives, the requirement and rules for the issue of bonds issued by the CMA and the Articles of Association of the Issuer and the resolutions of the general meeting of the Issuer. The Issuer has secured all the licences and official approvals that are required to engage in the activities which are the subject matter of the Prospectus.

Legal Advisor

Sd/-

Curtis, Mallet-Prevost, Colt & Mosle LLP