



PO Box 545, PC 116, Mina Al Fahal, Sultanate of Oman
Tel: +968 24577000 Fax: +968 24568001
<https://ahlibank.om>

PROSPECTUS

Issue of 50,000,000 Perpetual Additional Tier I Capital Instrument (Bonds) with a Green Shoe Option of an additional 25,000,000 Bonds on a Private Placement basis, at a price of RO 1.000 per Bond, aggregating up to RO 75,000,000

Subscription Period

SUBSCRIPTION OPENING DATE: 25 NOVEMBER 2018 **SUBSCRIPTION CLOSING DATE: 13 DECEMBER 2018**

ISSUE MANAGER



**Investment Banking Division
Ahli Bank SAOG**

PO Box 545, PC 116, Sultanate of Oman
Tel: (+968) 24577887, Fax: (+968) 24568001

Legal Advisor



**Said Al Shahry & Partners (SASLO),
Advocates & Legal Consultants**
PO Box 1288, PC 112, Ruwi, Oman
Tel: +968 24636999, Fax: +968 24636900

Registrar, Transfer Agent and Trustee



Muscat Clearing and Depository Co. SAOC
PO Box 952, PC 112, Ruwi, Sultanate of Oman
Tel: (+968) 24822222, Fax: (+968) 24817491

COLLECTING BANK



This Prospectus has been prepared in accordance with the applicable guidelines stipulated by the Capital Market Authority of Sultanate of Oman. This is an unofficial English version of the original Prospectus prepared in Arabic and approved by the Capital Market Authority pursuant to the Administrative Order No. H/82/2018 dated 18 NOVEMBER 2018, In the event of any conflict between the Arabic version and the English version, the Arabic version will prevail. The Capital Market Authority (CMA) assumes no responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus nor shall it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person.

Table of Contents

IMPORTANT NOTICE TO INVESTORS	3
ADDITIONAL POINTS TO BE NOTED	5
DEFINITIONS AND ABBREVIATIONS.....	6
SECTION 1- KEY TERMS OF THE ISSUE.....	15
SECTION 2- PURPOSE OF THE ISSUE AND ISSUE EXPENSES.....	22
SECTION 3 - BANK'S OBJECTS AND APPROVALS.....	23
SECTION 4 - CREDIT RATINGS OF THE BANK	27
SECTION 5 - TERMS AND CONDITIONS OF THE BONDS.....	32
SECTION 6 - RISK FACTORS AND MITIGANTS.....	44
SECTION 7 - RIGHTS AND RESPONSIBILITIES	49
SECTION 8 – FINANCIAL HIGHLIGHTS.....	51
SECTION 9 – RELATED PARTY TRANSACTIONS	57
SECTION 10 - CORPORATE SNAPSHOT, BUSINESS PLAN AND STRATEGY.....	58
SECTION 11– CORPORATE GOVERNANCE, BOARD OF DIRECTORS AND MANAGEMENT TEAM	61
SECTION 12 - SHARE PRICE MOVEMENT AND DIVIDEND POLICY.....	66
SECTION 13 - SUBSCRIPTION CONDITIONS AND PROCEDURES	67
SECTION 14 - UNDERTAKINGS.....	72

IMPORTANT NOTICE TO INVESTORS

This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Bank to subscribe to the offered securities in any jurisdiction outside of Oman where such distribution is, or may be, unlawful.

The Prospectus and the private placement are intended only for certain select investors as identified by the Bank and is not an offer to the public. As the securities are being offered on private placement basis, the prospectus is not intended for public circulation or distribution. Select investors include, but are not limited to, pension funds, investment companies, portfolio management entities, high net worth individuals and any other person/entity identified by the issuer.

The principal aim of this Prospectus is to present material information that may assist investors to make an appropriate decision as to whether to invest in the offered securities.

The Bank accepts responsibility for the information contained in the Prospectus. To the best of the knowledge of the Bank (having taken all reasonable care to ensure that such is the case), the information contained in the Prospectus is in accordance with the facts and does not omit anything, omission of which would render this Prospectus misleading.

This Prospectus contains all material information and data and does not contain any misleading information or omit any material information that would have positive or negative impact on an investors' decision as to whether or not to invest in securities offered.

The Board of Directors of the Bank is jointly and severally responsible for the integrity and adequacy of the information contained in this Prospectus and confirms that to its knowledge, appropriate due diligence had been observed in the preparation of this Prospectus and further confirms 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 to decide whether it would be appropriate to invest in the securities offered taking into consideration all the information contained in it. Investors should not consider this Prospectus as a recommendation by the Bank, by the Directors or the Issue manager as to invest in the offered securities. Every investor shall bear responsibility of obtaining independent professional advice on investing in the offered securities and shall conduct an independent evaluation of the information and assumptions contained herein.

No person is or has been authorized by the Bank to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the issuance of the bonds and, if given or made, such information or representation must not be relied upon as having been authorized by the Bank or the Issue Manager.

These Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment considering his/her own circumstances.

Bank credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Forward-Looking Statements

This Prospectus contains statements that relate to future projections and events. Such statements are generally classified as forward looking and involve known as well as unknown risks, uncertainties and other important factors that could result in future events and circumstances to materially differ from those assumed in the projections made in 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 Issuer (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, all forward- looking statements involve inherent risks and uncertainties and speak only as on 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 several important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. These factors include, but are not limited to, the following:

- level of demand for the Bank's products and services;
- the competitive environment;
- regulatory, legal and fiscal developments;
- excessive fluctuations in financial markets
- performance of the Omani economy; and
- Other factors described in the Section 6 of this Prospectus ("Risk Factors and Mitigants".)

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.

Currency of Presentation: All references to "Rials" or "RO" are to the Omani Rials, the official currency of Oman. The Omani Rial is pegged to the US Dollar and the pegged exchange rate is 1 USD = 0.3845 RO, 1 RO is composed of 1,000 Baizas.

Accuracy of third party industry and market: All industry and market data (including all underlying assumptions) obtained from third parties/ public sources such as websites and publications has not been independently verified by the management of the Bank nor the Issue Manager. In addition, the Issue Manager has not independently verified any of the industry/financial data prepared by the management of the Bank.

ADDITIONAL POINTS TO BE NOTED

Restrictions on distribution of this Prospectus: The distribution of this Prospectus and the Offer of Bonds may, in certain jurisdictions, be restricted by law or may be subject to prior regulatory approvals. This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Bank to subscribe to any of the Offer Bonds in any jurisdiction outside of Oman where such offer or invitation would be unlawful. This Prospectus may not be distributed in any jurisdiction where such distribution is, or may be, unlawful. The Bank, the Issue Manager, the Legal Advisors and the Collecting Bank require persons into whose possession this Prospectus comes, to inform themselves of and observe, all such restrictions. None of the Bank, the Issue Manager, the Legal Advisors or the Collecting Bank accept any legal responsibility for any violation of any such restrictions on the sale, offer to sell or solicitation to subscribe for the Bonds by any person, whether or not a prospective Applicant, in any jurisdiction outside Oman where such sale, offer to sell or solicitation to subscribe would be unlawful.

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

Disclaimer of implied warranties: Except as required under applicable law and regulations, no representation or warranty, express or implied, is given by the Bank, the Issue Manager, the Legal Advisors or the Collecting Bank, or any of their respective directors, managers, accountants, lawyers, employees or any other person as to the completeness of the contents of this Prospectus; or of the projections included within it; or of any other document or information supplied at any time in connection with the Offer; or that any such document has remained unchanged after the issue thereof.

DEFINITIONS AND ABBREVIATIONS

Additional Tier 1 Capital	The capital qualifying as, and approved by the CBO as, Additional Tier 1 Capital instrument in accordance with the Capital Regulations.
Ahli Bank/ Issuer/ Company/ Bank	Ahli Bank SAOG, Oman.
Allotment	The process of allocation of Bonds to successful Applicants as approved by CMA.
Applicants	A person or entity who applies for the subscription of the Bonds pursuant to the terms of this Prospectus.
Application Form	The application form to be filled out by the Applicants to subscribe for the Bonds.
Applicable Regulatory Capital Requirements	Any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Issuer, including transitional rules and waivers granted in respect of the foregoing.
Articles	Articles of Association of the Issuer, as may be amended from time to time in accordance with the provisions as contained therein, as approved by CMA and MOCI.
Authorized Signatories	The persons listed from time to time on the Bank's signatory card registered with the MOCI.
Baiza	1,000 Baizas equals to 1 RO.
Basel III	Means the Basel III International regulatory framework for banks. "Basel III" is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector.
Board / Board of Directors	The Board of Directors of the Issuer elected from time to time, in accordance with the Articles, and the Laws of Oman.
Bonds/Securities offered	The unsecured, perpetual, subordinated bonds having a nominal value of RO 1.000 (Rial Omani One) being issued under this Prospectus as Additional Tier 1 Capital.
Bondholder	A holder of a Bond issued by the Issuer pursuant to this Issue.

Bondholders' Register	The register maintained by the MCD listing the details of Bonds and 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, other than a public holiday on which banks and MCD (Registrar) are open for business in Oman.
Call Date and First Call Date	<p>The First Call Date and every Interest Payment Date thereafter. Any Call will be exercised solely at the discretion of the Bank only after a minimum of 5 years from the Issue Date and only with the prior written approval of the CBO</p> <p>The First Call Date is 17 December 2023</p>
Capital Event	A Capital Event is deemed to have occurred if the Bank is notified in writing by the CBO 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 because of any applicable limitation on the amount of such capital) as determined by the CBO.
Capital Regulations	The regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Oman, including those of the CBO (which shall include, without limitation, the CBO's CP-1 Guidelines on regulatory capital under Basel III issued via the Central Bank circular BM1114 dated 17 November 2013 and Central Bank circular BSD/2017/BKUP/Banks/16 dated 16 January 2017); and any other amendments thereof.
CBO	Central Bank of Oman, a body corporate established in accordance with the Banking Law as contained in Royal Decree 114/2000.
CCL	The Commercial Companies Law of Oman as contained in Royal Decree 4/74 and includes any amendments, consolidation or re-enactment thereof from time to time.
Capital Market Law	Capital Market Law and includes its executive regulations as contained in Royal Decree 80/98 and includes any amendments or consolidation thereof from time to time.
CMA	The Capital Market Authority of Oman established pursuant to Royal Decree 80/98 and includes any amendments or consolidation thereof from time to time.
Conditions	The terms and conditions of the issue of Bonds as set out in Section 5 of this Prospectus.

Day-count Fraction	The number of days in the relevant period divided by 365 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 Interest Reset Date.
Director	Means a member of the Board of Directors of the Issuer as at the date of this Prospectus.
Distributable Items	Means the Bank's accumulated and realized profits as approved by CBO (to the extent not previously distributed or capitalized) 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 5.3.4 (<i>Dividend and Redemption Restrictions</i>).
Event of Default	<p>Event of Default means:</p> <p>(a) <i>Non-payment</i>: The Issuer fails to pay any 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 (7) days in the case of principal and fourteen (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</p> <p>(b) <i>Insolvency</i>: a final determination is made by a court or other official body that the Issuer is insolvent or bankrupt or unable to pay its debts; or</p> <p>(c) <i>Winding-up</i>: a liquidator 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 Issuer or the Issuer 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 on terms approved by an extraordinary resolution of the holders of the Bonds; 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; or</p> <p>(d) <i>Analogous Event</i>: any event occurs which under the Laws of Oman has an analogous effect to any of the events referred to in paragraph (b) or (c) above;</p> <p>Reference in subparagraph (b) (insolvency) above to debts shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) and which is treated as debt for the purpose of applicable law, in each case whether entered into directly or indirectly by the Bank.</p>

Financial Year	The financial year of the Issuer commencing on 1 January and ending on 31 December or as may be amended by the Shareholders in accordance with the Issuer's Articles.
Force Majeure	An event that occurs that is beyond the control of the Bank and has the meaning given to it in Condition 5.5.3 (<i>Force Majeure</i>).
GDB	Government Development Bonds.
Green Shoe Option	In case of over subscription, the option available to Issuer to issue and allot up to 25,000,000 more bonds and retain corresponding excess subscription amounts.
International Financial Reporting Standards (IFRS)	Standards issued by the International Financial Reporting Standards (IFRS) Foundation and the International Accounting Standards Board (IASB)
Initial Interest Rate	The preliminary interest rate on the outstanding principal amount of the Bonds that has been approved in the Initial Period.
Initial Period	The period from the Issue Date to the First Call Date, which includes the Issue Date but excludes the First Call Date.
Interest Amount	The amount of interest payable, subject to Condition 5.3 (<i>Interest Restrictions</i>) and Condition 5.4 (<i>Payments</i>), on each Interest Payment Date.
Interest Payment Date	17 June and 17 December in each year, starting on 17 June 2019 (the next Business Day if either of the above two dates fall on a holiday).
Interest Payment Record Date	Fifteenth (15 th) day (or immediately on the following Business Day in the event of a holiday) before the relevant Interest Payment Date. All bondholders who are on the Bondholders' Register as on the relevant Interest Payment Record Date are eligible to receive interest for that relevant period.
Interest Period	The period from the Issue Date to the first Interest Payment Date, which includes the Issue Date but excludes the first Interest Payment Date; and each subsequent period from an Interest Payment Date to the next Interest Payment Date which includes the Interest Payment Date but excludes the next Interest Payment Date.
Interest Rate	With respect to the first Interest Period, the Initial Interest Rate, and, with respect to each Reset Period thereafter, the rate calculated in accordance with the provisions of Conditions 5.2.1 and 5.2.2 (<i>Interest Rate, initial and reset</i>).

Interest Reset Date	The First Call Date and every fifth anniversary thereafter.
Issue	Issue of up to 50 million unsecured perpetual subordinated Bonds with a Green Shoe Option of an additional 25 million bonds on a private placement basis, at a price of RO 1.000 per Bond, aggregating up to RO 75 million.
Issue Date	17 December 2018, the date of approval of the allotment of the Bonds by the CMA.
Issue Price	RO 1.000 per Bond.
Junior Obligations	means (a) all claims of the Shareholders in respect of Ordinary Shares; (b) any other present or future payment obligations of the Issuer in respect of its Other Common Equity Tier 1 Instruments that rank or are expressed to rank junior to the Bonds; and (c) any other present or future payment obligations that rank or are expressed to rank junior to the Bonds.
Laws of Oman	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations as the same may have been, or may from time to time be enacted, amended or re-enacted or issued.
MCD/ Registrar/ Trustee	Muscat Clearing and Depository Co. SAOC PO Box 952, PC 112, Ruwi, Oman Tel: +968 24822222; Fax: +968 24817491
MOCI	Ministry of Commerce and Industry of Oman.
MSM	Muscat Securities Market of Oman.
Non-Payment Election	The Issuer's right to exercise the Non-Payment Election, and has the meaning given to it in Condition 5.3.2 (<i>Non-Payment Election</i>).
Non-Payment Event	The Event that leads to Non-Payment, and has the meaning given to it in Condition 5.3.1 (<i>Non-Payment Event</i>).
Non-Viable	In relation to the Bank, means insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business, or any other event or circumstance which is specified as constituting non-viability by the CBO or as is set out in the applicable banking regulations.
Non-Viability Event	Means that: (a) the CBO 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 CBO has determined that a Public Sector Injection is required, the Write-down will be full and permanent, and shall occur prior to any Public Sector Injection.

Non-Viability Event Write-down Date	The date on which the Write-down will take place as specified in the Non-Viability Notice, which shall be no later than ten (10) Business Days (or such date as determined by the CBO) after the date of the Non-Viability Notice.
Non-Viable Notice	Has the meaning given to it in Condition 5.5 (<i>Write-down at the point of non-viability</i>).
Obligations	Has the meaning given to it in Condition 5.1.2 (<i>Subordination of the Bonds</i>).
Oman/Sultanate	Sultanate of Oman.
Other Common Equity Tier 1 Instruments	Means any present or future instruments or obligations that qualifies as common equity tier 1 capital pursuant to Qualifying Tier 1 Instruments issued directly or indirectly by the Bank.
Outstanding Payments	Mean 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 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, <i>pari passu</i> with the Obligations.
Prospectus	Means this prospectus as approved by the CMA.
Public Sector Injection	means the decision by the CBO to make a public sector injection of capital, or equivalent support pursuant to the relevant Capital Regulations.
Qualifying 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 satisfy the criteria of Qualifying Tier 1 Capital Instrument pursuant to the criteria set out in the "Guidelines on Regulatory Capital under Basel III" circulated by the CBO in the CBO circular No. BM114 dated 17 November 2013.

Redemption Amount In the event of the Bonds being redeemed, the outstanding principal amount of the Bond.

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

Relevant Margin	Tenor (years)	Applicable Margin
	Five (5)	2.50%
	Six (6)	2.25%
	Seven (7)	2.00%

Reset Interest Rate The Interest Rate applicable for each Reset Period (each a Reset Interest Rate).

Each Reset Interest Rate will be the aggregate of the Reset Reference Rate on the Determination Date as determined by the Bank and the Relevant Margin. For the avoidance of doubt, the reset shall apply to the Reset Reference Rate and not to the Relevant Margin.

Reset Period Five (5) Year period from the First Call Date to the following Interest Reset Date, and each successive Five (5) Year period thereafter from such Interest Reset Date to the next Interest Reset Date.

Reset Reference Bond The Reset Reference Bond is the most recent Omani Rial GDB having a tenor of five (5), six (6) or seven (7) years, issued through auction or any other Omani Rial sovereign debt issued through auction or otherwise, in the immediate twelve (12) months preceding each Determination Date.

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

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.

RO or Rial Omani or Omani Rial Omani Rial, which is the lawful currency of Oman. Each Omani Rial is equivalent to 1000 Baizas.

Senior Obligations Means (i) the deposit holders, general creditors; (ii) holders of Tier 2 subordinated debt/ bonds/ sukuk of the Bank; (iii) all unsubordinated payment obligations of the Bank and (iv) 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 Issuer.
Shares / Ordinary Shares	Ordinary Equity Shares of the Issuer of nominal value of 100 Baizas each.
Solvent	Means that the Issuer: (a) is able to pay its debts or other obligations as they fall due; and (b) its assets, at a fair valuation, exceed its liabilities.
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, over and above the current withholding tax rate of 10%, if applicable (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.
Tier 1 Capital	The capital qualifying as, and approved by the CBO as, Tier 1 capital in accordance with the Capital Regulations and issued under CBO Circular No. BM 1114 dated 17 November 2013.
Tier 2 Capital	The capital qualifying as, and approved by the CBO as, Tier 2 capital in accordance with the Capital Regulations and issued under CBO Circular No. BM 1114 dated 17 November 2013.
Trustee	MCD or any successor body thereto and includes any persons who may be appointed as trustee under the terms of the Trust Deed to act for and on behalf of the Bondholders as their representatives.
Trust Deed	The trust deed being entered between (1) the Issuer, as issuer, and (2) the Trustee for the Bondholders for this issue as amended, varied and/or supplemented from time to time.
Write-down	If a trigger event occurs: (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) or converted into common equity in order to restore the Common Equity Tier 1 Ratio as determined by the Bank in conjunction with the CBO in accordance with the Capital Regulations; and (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.

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 CBO has determined, under paragraph (b) in the definition of "Non-Viability Event". A Write-down will only take place with the prior written approval of the CBO.

"Common Equity Tier 1 Ratio" means the common equity tier 1 capital ratio as determined by the Capital Regulations.

Interpretations

In this prospectus:

- Headings and underlining are for convenience only and do not affect the interpretation of this Prospectus.
- Words importing the singular include the plural and vice versa.
- An expression importing a natural person includes any juristic person.
- In case a day on which an action or event is required to take place pursuant to the Conditions falls on a day that is not a Business Day, then that action or event will take place immediately on the following Business Day.

SECTION 1- KEY TERMS OF THE ISSUE

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

Issuer	Ahli Bank SAOG ("the Bank")
Commercial Registration No.	1558560
Registered Office	PO Box 545, PC 116, Mina Al Fahal, Oman
Bank's Duration	Unlimited
Authorised Share Capital	RO 250 million divided into 2,500,000,000 Shares
Issued & Paid-up Capital	RO 149,628,795 divided into 1,496,287,951 Shares
Initial Interest Rate	7.5% per annum
Credit Rating of Issuer	Long term rating - Fitch: BB+ (Negative outlook) Capital Intelligence: BBB (Stable outlook)
Instrument offered	Perpetual Subordinated Bonds - Additional Tier 1 Capital Instruments
Issue route	Private Placement as per CMA regulations
Size of the offer	Issue of up to 50 million bonds with a Green Shoe Option of 25 million additional bonds on a private placement basis, at a price of RO 1.000 per Bond, aggregating up to RO 75 million.
Denomination	Omani Rial (RO)
Nominal value	RO 1.000 per Bond
Offer price	RO 1.000 per Bond, comprising nominal value of RO 1.000, payable in full at the time of subscription.
Subscription Opening Date	25 November 2018
Subscription Closing Date	13 December 2018
Minimum and Maximum Subscription	Minimum Subscription - 100,000 bonds Maximum Subscription - 75,000,000 bonds

<p>Eligible Applicants</p>	<p>The Bonds are offered on a private placement basis to select investors. In line with the regulations of the CBO, local banks are prohibited from investing in the Bonds.</p> <p>Neither the Bank nor a related entity over which it exercises control or significant influence 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>
<p>Issue Date and Allotment</p>	<p>The Issue Date is 17 December 2018.</p> <p>The Bonds will be allotted on the 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>
<p>Refund of excess application money</p>	<p>The refund of excess application amounts, if any, shall be made to the respective bank accounts of Applicants within fifteen (15) Business Days of the issue closure.</p>
<p>Use of Proceeds</p>	<p>To increase Bank's Additional Tier 1 Capital for the purpose of increasing its capital adequacy and for the general corporate purposes.</p>
<p>Status of the Bonds</p>	<p>The payment obligations of the Bank under the Bonds will:</p> <ol style="list-style-type: none"> constitute Tier 1 Capital of the Bank; constitute direct, unsecured, unconditional and subordinated obligations of the Bank that rank <i>pari passu</i> inter se the Bonds; rank subordinated to the claims of the Bank's depositors and general creditors and the holders of other subordinated debt / sukuk of the Bank; rank <i>pari passu</i> with Pari Passu Obligations and other perpetual subordinated bonds (Additional Tier 1 Capital Instruments); and rank in priority only to claims of the holders of Ordinary Shares and other Junior Obligations 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 and holders of other subordinated debt of the Bank to which the obligations rank junior.</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>

<p>Interest Rate</p>	<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>Interest Payment Record Date</p>	<p>Fifteenth (15th) day (or immediately on the following Business Day in the event of a holiday) before the relevant Interest Payment Date.</p>
<p>Interest Payment Date</p>	<p>17 June and 17 December in each year, starting on 17 June 2019</p>
<p>Reset Interest Rate</p>	<p>The Interest Rate will be reset on the First Call Date and every fifth anniversary thereafter.</p> <p>Each Reset Interest Rate will be the aggregate of the Reset Reference Rate on the Determination Date as determined by the Bank and the Relevant Margin.</p> <p>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.</p> <p>The Reset Reference Bond is the most recent Omani Rial GDB issued through auction or any other Omani Rial sovereign debt issued through auction or otherwise, in the immediate twelve (12) months preceding each Determination Date.</p> <p>The Reset Reference Tenor is the length of time in years, until the maturity date or First Call Date of the Reset Reference Bond.</p>
<p>Interest Restriction</p>	<p>If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Bank shall not pay the corresponding Interest 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 Amount. 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 on future interest payment date. It is further clarified that such non-payment of Interest Amounts by the Bank shall not constitute an event of default.</p> <p>Non-Payment Election: The Bank may in its sole discretion elect that Interest 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 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 Dividend and Redemption Restrictions.</p> <p>Non-Payment Event: If any of the following events occurs (each, a "Non-Payment Event"), Interest Amounts shall not be paid on any Interest Payment Date:</p> <p>a) the interest 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 Amounts, would exceed, on the</p>

	<p>relevant date for payment of such Interest Amounts, the Distributable Items;</p> <p>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 CBO) or payment of the relevant Interest Amount would cause it to be in breach thereof; or</p> <p>c) the CBO requires that the Interest Amount due on that Interest Payment Date shall not be paid.</p>
<p>Dividend and Redemption Restriction</p>	<p>If any Interest 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> <p>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 (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or</p> <p>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 <i>pari passu</i> 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;</p> <p>c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Ordinary Shares; or</p> <p>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 <i>pari passu</i> 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 Amount following the Dividend Stopper Date has been paid in full.</p>
<p>Maturity/ Redemption of the Bonds</p>	<p>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.</p> <p>The Bonds may be redeemed in whole but not in part, or the terms thereof may be varied by the Bank only in accordance with the provisions as set out below.</p> <p>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 the "Variation" condition below.</p>

	<p>The redemption of the Bonds or variation of the conditions is subject to the following conditions:</p> <ul style="list-style-type: none"> a) the prior written consent of the CBO; and b) 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 Applicable Regulatory Capital Requirements (in the case of (i) and (ii) above, except to the extent that the CBO no longer so requires). <p>Any repayment of principal shall be with the prior approval of CBO and the Bank shall not assume or create market expectations that the said approval will be given.</p>
<p>Call Option</p>	<p>The Bank may, at the end of five years and every Interest Payment Date thereafter (each the "Call Date"), redeem all, but not some, of the Bonds at the nominal value, 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> <p>Furthermore, the Bank may redeem the Bonds on the Call Date(s) only when the called Bonds are replaced with capital of the same or better quality 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 after the redemption of the Bonds.</p>
<p>Variation</p>	<p>On any date on or after the Issue Date, upon the occurrence of a Tax Event or a Capital Event, all but not some, of the Bonds may be redeemed at nominal value or the terms of the Bonds may be varied.</p> <p>Capital Event is deemed to have occurred if the Bank is notified in writing by the CBO to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Bonds is held by the Bank or whose purchase is funded by the Bank) of the Bonds would cease to qualify, in part or full, for inclusion in the consolidated Tier 1 Capital of the Bank.</p> <p>Tax Event means on the occasion of the next payment due under the Bonds, the Bank has or will become obliged to pay additional amounts of tax, over and above the current withholding tax rate of 10%, if applicable (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 laws, published practice or regulations of Oman or any change in the application or interpretation of such laws or regulations, and such requirement cannot be avoided by the Bank taking reasonable measures available to it.</p>

<p>Write Down (Non-Viability Event)</p>	<p>If a Non-Viability Event occurs, a write-down shall occur on the relevant Non-Viability Event Write-down Date (as defined).</p> <p>In such circumstances, the rights of the holders of the 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 pro rata among the holders of the Bonds.</p> <p>A Non-Viability Event means that upon the occurrence of a trigger event, which is the earlier of</p> <ul style="list-style-type: none"> a) the CBO 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 determined by the Bank in conjunction with the CBO in accordance with the capital regulations. <p>For the avoidance of doubt, where the CBO 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.</p> <p>Non-Viable in respect of the Bank means:</p> <ul style="list-style-type: none"> 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 CBO as is set out in the applicable banking regulations. <p>A write-down shall not constitute an Event of Default.</p>
<p>Form of the Bonds</p>	<p>The Bonds will be issued in dematerialised form and MCD will act as the Registrar to the Bonds and maintain a register setting out the names and addresses of the Bondholders and the number of Bonds held by them respectively. The administration of registration of transfers of Bonds shall also be maintained by MCD.</p>
<p>Listing of Bonds</p>	<p>Bonds shall be listed at the Muscat Securities Market (MSM).</p>
<p>Registrar, Transfer Agent and Trustee</p>	<p>Muscat Clearing and Depository Company SAOC (MCDC) PO Box 952, PC 112, Ruwi, Oman Tel: +968 24822222, Fax: +968 24817491</p>
<p>Issue Manager</p>	<p>Ahli Bank SAOG - Investment Banking Department PO Box 545, PC 116, Mina Al Fahal, Oman Tel: +968 24577887, Fax: +968 24562120</p>
<p>Collecting Bank</p>	<p>Ahli Bank SAOG PO Box 545, PC 116, Mina Al Fahal, Oman Tel: +968 24577000, Fax: +968 24568001</p>

Legal Advisor to the Issue	Said Al Shahry & Partners (SASLO), Advocates & Legal Consultants PO Box 1288, PC 112, Ruwi, Oman Tel: +968 24636999, Fax: +968 24636900
Statutory Auditors to the Issuer	KPMG PO Box 641, PC 112, Ruwi, Oman Tel: +968 24709181, Fax: +968 24700839
Announcements	No party may make a press release, announcement or public statement about the issuance of the Bonds ("Issue") except with the consent of the other parties or as required by law or an applicable stock exchange.
Confidential Information	No party shall disclose the confidential information of another party (which includes the information provided as part of the due diligence investigations and the Issue) to any other person or entity except: <ul style="list-style-type: none"> a) with the consent of the party whose confidential information it is; b) as required by law or an applicable stock exchange; or c) to its professional advisers and employees for the purpose of due diligence, on the basis that they keep the information confidential.
Governing Law and Jurisdiction	This Issue as well as the Bonds and any non-contractual obligations arising out of or in connection with the Bonds are governed by the laws of Oman and the parties hereby irrevocably submit to the exclusive jurisdiction of the Omani courts.

SECTION 2- PURPOSE OF THE ISSUE AND ISSUE EXPENSES

2.1 Purpose of the Issue and Use of Proceeds

To increase Bank's capital adequacy and for the general corporate purposes.

2.2 Estimated Issue Expenses

The details of the issue expenses estimates are given below:

Details	Expense (RO)
CMA Fee	4,500
MCD Fee	120,000
Marketing, EGM and translation expense	3,000
Issue Management Fee	17,000
Legal and audit fees	15,000
Contingency	5,500
Total estimated issue expenses	165,000

The issue expenses will be borne by the Issuer.

SECTION 3 - BANK'S OBJECTS AND APPROVALS

3.1 Overview

Ahli Bank was set up in May 1997 as Alliance Housing Bank, Oman's first private sector housing bank. It was reconstituted with its new identity as Ahli Bank SAOG on January 5, 2008, following its strategic partnership with Ahli United Bank, a leading regional commercial bank and International Finance Corporation, a member of the World Bank Group.

The Bank is fully transformed into and licensed by the CBO as a commercial bank and currently provides a wide range of products and services in corporate, retail, investment and private banking through its 21 branches (13 conventional and 8 Islamic branches).

3.2 Bank Objectives

As per Article 4 of the Articles, the main objectives of the Bank are as under:

1. To carry on the business of banking in all its fields, and to transact and to do all matters and things incidental thereto, which the Bank may, at any time or anywhere carry on business usually connected with the business of banking or dealing in money or financial securities.
2. To play the role of underwriter, originator or intermediary for the issue of shares and loan debentures, to play the role of custodian, manager and trustee of private trust agreements and funds related to investment and bonds and to participate in any other manner in capital and stock markets, especially in investment, trading, underwriting new issues of bonds in the Gulf, regional and international capital markets with main emphasis on capital debt markets.
3. To carry on business of banking through conventional banking activities and / or Islamic banking activities.
4. To act as executors and trustees of wills, settlements and trust deeds of all kinds made by customers and others and to undertake and execute trusts of all kinds.
5. To deal with all types of bank notes, coins, currencies, receive and deposit any monies in current accounts, term deposits, savings accounts and all such accounts permitted by the Central Bank of Oman under conventional and / or Islamic banking business, receive precious articles and financial documents for deposit in safe custody.
6. To issue and negotiate bank guarantees and letters of credit, cheque payments, money orders and all other negotiable documents and their collection.
7. To advance and lend money on real, personal and various mixed securities, on cash, credit or other accounts, on policies, bonds, debentures, bills of exchanges, promissory notes, letters of credit or other obligations, or on the deposit of title deeds, merchandise, bills of lading, delivery orders, warehousemen's and certificates, notes, dock warrants, or other mercantile or tokens, bullion, stocks and shares.
8. To settle negotiable cheques and to lend funds and repay debts from any resources and with any other parties and using any financial instruments including but not limited to deposit certificates, loan debentures, loan bonds convertible into shares and bonds whether of medium term, limited term or floating term bonds with or without security.
9. To establish and distribute investment banking products as approved by the Central Bank of Oman including the following:
 - 9.1 Institutional investment funds including high yield products and exchange rate arbitrage transactions.
 - 9.2 Private banking products.

9.3 Property management funds products.

10. To sell and buy gold bullion and foreign currencies, to lend against them and to carry on all banking treasury business activities.
 11. To establish and acquire companies of different status, to establish branches or acquire or establish banks and other companies or to participate in banks and other companies' capital inside or outside the Sultanate of Oman or to enter into partnership with companies and organizations transacting activities similar to those transacted by the Bank.
 12. To play the role of financial consultant in respect of financial investment and generally to carry on all financial business transactions, brokerage deals, financial operations, agency business and to provide financial consultancy services to its corporate customers inside or outside the Sultanate of Oman.
 13. To subscribe for the shares of industrial projects, to invest the bank's funds in any investments, to own and sell such investments, to dispose thereof in any other manner and to carry on such business activities as an owner company or as an investor in accordance with the applicable laws in the Sultanate of Oman.
 14. To lend monies and to extend credit and financial facilities which include but are not limited to the following:
 - 14.1 To lend funds by participating in syndicated banks of lenders, to take part in or lead operations in international or Gulf lending markets and trade finance operations.
 - 14.2 To finance international assets directly or through lease finance operations using and developing the expertise currently available in all fields as permitted by the laws of the Sultanate of Oman and as approved by the Central Bank of Oman.
 15. Providing housing loans or such other loans as may be permitted by the Central Bank of Oman to Omani nationals, GCC nationals or any other nationals as may be permitted by the applicable laws of the Sultanate of Oman for the purposes of purchase, construction, development, completion, expansion, repair or maintenance of private property in the Sultanate of Oman or in such other places or countries as may be permitted by the Central Bank of Oman. The Bank shall give priority and preference to this kind of activity over all other activities.
 16. To encourage saving schemes and mobilize deposits and national savings to be employed by the Bank for the purposes of its objectives. This includes acceptance of deposits of all kinds, with or without interest, and the application of regulations seen fit by the Bank's Board of Directors for the encouragement of saving and mobilization of deposits, in compliance with licenses and permits issued by the Central Bank of Oman.
 17. To attract local and foreign capital to contribute in financing construction projects in the Sultanate of Oman, arranging or obtaining local or international loans for the Bank and/ or local real estate projects and the acceptance of foreign deposits and obtaining of external loans, provided that such activities comply with the legislations and regulations stipulated by the Government of the Sultanate of Oman for this purpose.
 18. To own land through purchases or appropriation for the purpose of development and/or the resale of the same. This may include providing the land with the necessary facilities, sub-dividing and reselling it to Omani nationals, Gulf nationals or juristic persons, other nationals as may be permitted by the laws of the Sultanate of Oman, or construct housing developments which may also include commercial/residential units, for the purpose of renting, selling, or using or investment thereof in any other manner as the Bank's Board of Directors, may deem appropriate, provided that the amounts invested in such projects shall not exceed 10% (Ten Per Cent) of the Bank's assets or as permitted by the Central Bank of Oman and with the prior approval of the Central Bank of Oman.
-

19. To carry out all kinds of banking business as approved by the Central Bank of Oman and provide services to customers and others, provided that these be within the limits necessary for enabling the Bank to control the loans and credit facilities extended by it and to ensure that they are used for the purposes for which they were extended and are within the limits that enable the Bank to benefit from banking business and services.
20. To carry out either directly or whilst acting as an agent for the Government or any third party the finance of social housing projects and other projects aimed at providing accommodation for low and medium income Omani nationals and for such other groups of persons as the Government of Oman may wish to encourage them to own their properties in the Sultanate of Oman. The Bank shall also facilitate the ownership of such projects by these categories provided that the same is approved by the Board of Directors and by the Central Bank of Oman.
21. To acquire, negotiate and receive public and private funds.
22. To lend funds in consideration of real, personal or mixed guarantees either in cash or by making credit to other accounts or in consideration of bills, debentures, promissory notes or any other obligations or in consideration of title deed deposits.
23. To issue bonds, certificates and all types of other securities after obtaining the approval of the Central Bank of Oman.
24. To finance or assist in financing the sale of houses, buildings and flats, whether furnished or otherwise, by way of installment sale or deferred payment or any similar transactions and to engage in, carry out, or assist in financing the sale and maintenance of any such houses, buildings and flats whether furnished or otherwise as aforesaid, upon any terms whatsoever in accordance with the Central Bank of Oman regulations issued from time to time, subject to the prior approval of the Central Bank of Oman.
25. To acquire and discount installment sales, any other agreements or any rights contained therein (whether proprietary or contractual) and to carry on business and to act as financiers, traders in securities, commission agents or in any other capacity in the Sultanate of Oman and to sell, barter, exchange, pledge, make advances or in any other manner deal in properties, houses, buildings and flats whether furnished or otherwise as aforesaid, subject to the Central Bank of Oman's prior approval being obtained.
26. To act as insurance agents, intermediaries or financial advisors for the benefit of the Bank's customers and to advise, sell and promote the sale of such services to them, provided that the same shall be subject to the approval of the Central Bank of Oman and the necessary approvals of other regulatory authorities.

3.3 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.	Date of issue	Expiry date
MOCI	1558560	09.06.1997	08.06.2022*
CBO	Commercial Banking License	26.12.2007	Ongoing
OCCI	Membership	01.06.2010	14.06.2020**
CMA	Investment Banking	07.01.2018	31.12.2020

* Renewed every five years

**Renewed every two years

Authorization of the issue

- The issue of the Bonds was authorized by the Shareholders of the Issuer at an extraordinary general meeting held on 26 June 2018.
- The issue of the Bonds was authorized by the Board of Directors at the Board of Directors Meeting held on 25 July 2018.
- The Central Bank of Oman's in-principle approval vide their letter ref. BSD/2018/BKUP/Ahli/514 dated 30 September 2018.
- The CMA has approved the issue and this Prospectus vide its Administrative Decision No. H/82/2018 dated 18 November 2018.



SECTION 4 - CREDIT RATINGS OF THE BANK

4.1 Fitch

Ahli Bank SAOG entered into an agreement with Fitch for its credit rating, whereby its scope of rating includes all currently outstanding securities, and securities issued during the period of rating, including long-term and medium-term debt securities, convertibles, certificates of deposits, commercial papers, extendable commercial notes, hybrid securities (defined as Tier I and Tier II instruments with loss absorption characteristics, or contain both debt-like and equity-like features including contingent convertibles, preferred securities or non-deferrable subordinated debt) and all other related securities, other than structured and project finance transactions, covered bonds or debt issues backed by credit of another party.

Date of report: 22 May, 2018

	Long Term	Short Term	Financial Strength / Outlook
Fitch Rating	BB +	F3	Negative

Fitch Ratings – Definitions

4.1.1 Long Term Ratings

AAA: Highest credit quality

'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very high credit quality

'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High credit quality

'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB: Good credit quality

'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

BB: Speculative

'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.

B: Highly speculative

'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

CCC: Substantial credit risk

Default is a real possibility.

CC: Very high levels of credit risk

Default of some kind appears probable.

C: Near default

A default or default-like process has begun, or the issuer is in standstill, or for a closed funding vehicle, payment capacity is irrevocably impaired. Conditions that are indicative of a 'C' category rating for an issuer include: a. the issuer has entered into a grace or cure period following non-payment of a material financial obligation; b. the issuer has entered into a temporary negotiated waiver or standstill agreement following a payment default on a material financial obligation; c. the formal announcement by the issuer or their agent of a distressed debt exchange; d. a closed financing vehicle where payment capacity is irrevocably impaired such that it is not expected to pay interest and/or principal in full during the life of the transaction, but where no payment default is imminent

RD: Restricted default

'RD' ratings indicate an issuer that in Fitch's opinion has experienced: a. an uncured payment default on a bond, loan or other material financial obligation, but b. has not entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, and c. has not otherwise ceased operating.

D: Default

'D' ratings indicate an issuer that in Fitch's opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure or that has otherwise ceased business.

4.1.2 Short Term Ratings

F1: Highest Short-Term Credit Quality

Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2: Good Short-Term Credit Quality

Good intrinsic capacity for timely payment of financial commitments.

F3: Fair Short-Term Credit Quality

The intrinsic capacity for timely payment of financial commitments is adequate.

B: Speculative Short-Term Credit Quality

Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

C: High Short-Term Default risk

Default is a real possibility

RD: Restricted Default

Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Typically, applicable to entity ratings only.

D: Default

Indicates a broad-based default event for an entity, or the default of a short-term obligation.

4.2 Capital Intelligence (CI)

Ahli Bank SAOG entered into an agreement with CI for the purpose of assigning and maintaining an issuer credit Rating in accordance with CI’s policies and rating methodologies and its established and defined ranking system of rating categories.

The type of Issuer Credit Rating assigned as a part of this agreement includes, but may not be limited to the following: long-term foreign currency rating; short-term foreign currency rating, financial strength rating; support rating. Where applicable CI shall also assign rating outlooks to the Issuer Credit Rating and other types of rating.

Date of Report: 21 February 2018

	Long Term	Short Term	Financial Strength / Outlook
CI Rating	BBB	A3	BBB /Stable

CI Ratings – Definitions

4.2.1 Long Term Ratings

Investment Grade

AAA

The highest credit quality. Exceptional capacity for timely fulfillment 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 fulfillment 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 fulfillment 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 fulfillment 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.

"+" and "-" signs indicate that the strength of a particular bank is, respectively, slightly greater or less than that of similarly rated peers.

Speculative Grade

BB

Speculative credit quality. Capacity for timely fulfillment 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 fulfillment of financial obligations is very vulnerable to adverse changes in internal or external circumstances. Financial and/or nonfinancial 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. 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.

4.2.2 Short-Term Ratings

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.

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. 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.

Notes:

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 rated entity is, respectively, slightly greater or less than that of similarly rated peers.

Outlook – expectations of improvement, no change or deterioration in a bank or corporate rating over the twelve (12) months following its publication are denoted Positive, Stable or Negative.



SECTION 5 - TERMS AND CONDITIONS OF THE BONDS

TERMS AND CONDITIONS OF THE BONDS ("THE CONDITIONS" OR "CONDITION")

The Issue

The Bonds will be issued by the Bank which is incorporated and registered as a Company in the Commercial Register maintained by the MOCI (C.R. No 1558560) and as a commercial bank in Oman. The Issue is governed and has been made pursuant to the Articles of the Bank and the Laws of Oman.

1. Nominal Value & Issue Price

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

2. Allotment and issue 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.

5.1 STATUS, SUBORDINATION

5.1.1 STATUS OF THE BONDS

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

5.1.2 SUBORDINATION OF THE BONDS

- (a) The payment obligations of the Bank under the Bonds (the "**Obligations**") will:
- (i) constitute Tier 1 Capital of the Bank;
 - (ii) constitute direct, unsecured, unconditional and subordinated obligations of the Bank that rank *pari passu* inter se the Bonds;
 - (iii) rank subordinated to the claims of the Bank's depositors and general creditors and the holders of other subordinated debt / sukuk of the Bank;
 - (iv) rank *pari passu* with Pari Passu Obligations and other perpetual subordinated bonds – (Additional Tier 1 Capital Instruments); and
 - (v) rank in priority only to claims of the holders of Ordinary Shares and other Junior Obligations of the Bank.
- (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 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.

5.1.3 Solvency Conditions

Payments in respect of the Obligations by the Issuer are conditional upon the following:

- (a) The Issuer being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Obligations;
- (b) The Issuer being capable of making payment of the Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all Pari Passu Obligations and still be Solvent immediately thereafter; and
- (c) The total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Obligations.

5.2 INTEREST

5.2.1 Initial Interest Rate

Subject to Condition 5.3 (*Interest Restrictions*), the Bonds bear interest from (and including) the Issue Date to (but excluding) the First Call Date at a rate of 7.50 percent per annum (the "*Initial Interest Rate*") on the outstanding principal amount of the Bonds in accordance with the provisions of this Condition 5.2. The Interest Amount payable on each Interest Payment Date during the Initial Period shall be RO 37.5 per RO 1,000 in principal amount of the Bonds based on the six-month period from the Issue Date till the first Interest Payment Date on 17 June 2019.

As per CBO regulations governing the Bonds, the payments of the Interest Amount 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 5.3 (*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 5.2. 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:

Interest = The applicable Interest Rate x The outstanding principal amount of the relevant Bond x The applicable Day-count Fraction for the Relevant Period*

*rounding the resultant figure to the nearest Baiza (half a Baiza being rounded upwards).

5.2.2 Interest Rate following the Initial Period (Reset)

Interest Rate of the bonds will reset on the First Call Date and every fifth anniversary thereafter.

For the purpose of calculating payments of interest after the First Call Date, the interest rate will reset on each Interest 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. For the avoidance of doubt, the reset shall apply to the Reset Reference Rate and not to the Relevant Margin.

The Relevant Margin is the amount shown in the table against the tenor that is equal to the Reset Reference Tenor. This is highlighted in the table below:

Tenor (years)	Applicable Margin
Five (5)	2.50%
Six (6)	2.25%
Seven (7)	2.00%

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 GDB issued through auction or any other Omani Rial sovereign debt issued through auction or otherwise, in the immediate twelve (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 twelve (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 Interest Reset Date.

The following hypothetical scenario is used to illustrate the calculation:

For example, if the Interest Reset Date is 17 December 2023, the Determination Date will be 14 December 2023. Further, the most recent GDB issue in the twelve (12) months preceding the above Determination Date is for example, a GDB of six (6) years maturity, and the average yield at which allotment is made in this GDB issue is for example, 5.25 % p.a.

Accordingly, for the above example, the six (6) year GDB issue will be the Reset Reference Bond and 5.25% p.a. will be the Reset Reference Rate. The Reset Reference Tenor will be six (6) years and the Relevant Margin will be 2.25%, being the margin as per the above table. Therefore, the Reset Interest Rate will be 7.50% p.a. (5.25% + 2.25%) and this will be the interest rate on the Bond up to the next Interest Reset Date which will be on 17 December 2028.

If for example, there is no GDB issue or Government bond issue of matching tenor in the twelve (12) months preceding the Determination Date, then the interest rate applicable on the Bond for the Reset Period ending on 17 December 2023 will continue up to the next Interest Reset Date which will be on 17 December 2028.

The Bank will, as soon as practicable upon determination of the Interest Rate which shall apply to the Reset Period commencing on the relevant Interest Reset Date, cause the applicable Interest Rate and the corresponding Interest Amount to be notified to the holders of the Bonds in accordance with Condition 5.8 (*Notices*) but not later than the second Business Day thereafter.

5.3 INTEREST RESTRICTIONS

5.3.1 NON-PAYMENT EVENT

Notwithstanding Condition 5.2 (*Interest*), if any of the following events occurs (each, a "**Non-Payment Event**"), Interest Amounts shall not be paid on any Interest Payment Date:

- (a) The aggregate amount of the Interest 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 Amounts, would exceed, on the relevant date for payment of such Interest 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 CBO) or payment of the relevant Interest Amount would cause it to be in breach thereof;
- (c) the CBO requires that the Interest Amount due on that Interest Payment Date shall not be paid;
- (d) the Solvency Conditions are not satisfied (or would no longer be satisfied if the relevant Interest Amount was paid);
- (e) the Bank, in its sole discretion, has elected that Interest Amounts shall not be paid to holders of the bonds on any Interest Payment Date (other than in respect of any amounts due on any date on which the Bonds are to be redeemed in full, in respect of which this Condition does not apply); or
- (f) the Bonds no longer qualify as additional tier 1 capital of the Bank for the purposes of the Regulator's minimum capital adequacy requirements under any Applicable Regulatory Capital Requirements

5.3.2 NON-PAYMENT ELECTION:

Notwithstanding Condition 5.2 (*Interest*), 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**"). The foregoing shall not apply in respect of any amounts due on any date on which the Bonds are to be redeemed in full.

For the avoidance of doubt, the Bank will have the right to otherwise use any Interest 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 5.3.4 (*Dividend and Redemption Restrictions*).

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

If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, if practicable, the Bank shall provide notice to the holders of the Bonds and the Trustee in accordance with Condition 5.8 (*Notices*) in each case providing details of the Non-Payment Election or Non-Payment Event (as the case may be):

- (a) in the case of a Non-Payment Election, the Bank shall endeavor to provide notice at least fourteen (14) Business Days prior to such even; and
- (b) in the case of a Non-Payment Event, the Bank shall endeavor to provide notice as soon as practicable thereafter but in any case, no later than one (1) Business Days prior to the relevant Interest Payment Date. Holders of the Bonds shall have no claim in respect of any Interest Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event and any non-payment of an Interest 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. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such Non-Payment Election or a Non-Payment Event, or give the holders of the Bond any rights as a result of such failure.

5.3.4 DIVIDEND AND REDEMPTION RESTRICTIONS

If any Interest Amount is not paid as a consequence of a Non-Payment Event or a Non-Payment Election pursuant to Condition 5.3.1 (*Non-Payment Event*) or Condition 5.3.2 (*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, the Ordinary Shares of the Bank (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 Amount following the Dividend Stopper Date has been paid in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the holders of the bonds).

5.4 PAYMENTS

5.4.1 INTEREST PAYMENT RECORD DATE

Interest payment in respect of the Bonds will be made in Omani Rials to every holder of the Bonds appearing in the Bondholders' Register at the close of business on the fifteenth (15th) day (or immediately on the following Business Day in the event of a holiday) before the relevant Interest Payment Date.

5.4.2 INTEREST PAYMENT DATE

Interest payment will be made semi-annually, till the bonds are redeemed by the Issuer, by transfer to the Bondholder's bank account, as registered with MCD and provided to the Bank by MCD, on 17 June and 17 December in each year, starting on 17 June 2019.

5.4.3 PAYMENTS SUBJECT TO LAWS

All payments are subject in all cases to: any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 5.7 (*Taxation*); and any withholding or deduction required by the tax rules/ regulations and/ or the Laws of Oman.

5.4.4 REDEMPTION

- (a) **No Fixed Redemption Date**
The Bonds are Perpetual Subordinated Additional Tier 1 Capital Instruments 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, at its option, exercise the call option to redeem all, but not some, of the Bonds by giving not less than thirty (30) days' prior notice to the holders of the Bonds and to the Trustee and the Registrar, in accordance with Condition 5.8 (*Notices*).
- (c) The Bank's Call Option is subject to the conditions below:
 - (i) the Bank is solvent at the time of redemption and immediately thereafter;

-
- (ii) a minimum of five (5) years has passed from the Issue Date and only with the prior written approval of the CBO;
 - (iii) the Bank shall:
 - a. replace the called bonds 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; or
 - b. demonstrate to the satisfaction of CBO that its capital position is and can be sustained above the minimum capital adequacy and capital buffer requirements as imposed by the CBO in the Capital Adequacy 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 5.4.4(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.

5.5 WRITE-DOWN AT THE POINT OF NON-VIABILITY

5.5.1 NON-VIABILITY EVENT

If a Non-Viability Event occurs, a Write-down shall occur on the relevant date in accordance with Condition 5.5.2 (*Non-Viability Notice*) below.

In such circumstances, the rights of the holders of the 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 pro rata among the holders of the Bonds.

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 CBO 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 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 CBO in accordance with the Capital Regulations.

For the avoidance of doubt, where the CBO has determined that a Public Sector Injection is required, the write-down will be full and permanent, and shall occur prior to any Public Sector Injection.

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

In case the Non-Viability clause is triggered, any Write-down with respect to the proposed Bonds will be accounted for as an equity transaction in the books of the Bank with no effect on the income statement in accordance with IFRS 32. Any such Write-down shall not constitute an Event of Default and it shall not entitle the Bondholders to petition for the insolvency or dissolution of the Bank.

"**Non-Viable**" in respect of the Bank means the following:

- (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 CBO or as is set out in the applicable banking regulations.

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, because 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.

5.5.2 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 CBO), the Bank will notify the holders of the Bonds thereof (without the need for the consent of the Bondholders) in accordance with Condition 5.8 (*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:

- (a) The Bondholders shall not be entitled to any claim for any amount subject to such Write-down in connection with the Bonds;
- (b) Any such Write-down shall not constitute an Event of Default;
- (c) The Bondholders acknowledge that there shall be no recourse to the CBO in respect of any determination made by it with respect to the occurrence of a Non-Viability Event.

Notwithstanding the foregoing, failure to give such notice shall not prevent the Bank from effecting a Write-down.

Following any Write-down of the Bonds in accordance with this Condition 5.5:

- (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 5.3.1 (*Non-Payment Event*) and 5.3.3 (*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 5.4.4(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 5.5.4 (*Consequences of a Force Majeure event*).

5.5.3 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:

- (a) The occurrence of a Tax Event
- (b) The occurrence of a Capital Event

5.5.4 CONSEQUENCES OF FORCE MAJEURE EVENT

Upon the occurrence of a Tax Event the Bank may, by giving not less than thirty (30) days' notice to the Trustee and the holders of the Bonds in accordance with Condition 5.8 (*Notices*) and without any

requirement for consent or approval of the holders of the Bonds, redeem all, but not some, of the Bonds at the Redemption Amount.

Upon the occurrence of a Capital Event, the Bank may, by giving not less than thirty (30) days' notice to the Trustee and the holders of the Bonds in accordance with Condition 5.8 (*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 5.5.4 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 5.5.4, the Bank shall give to the Trustee, a certificate signed by two Authorized Signatories of the Bank stating that:

- (a) a Tax Event or a Capital Event has occurred; and
- (b) 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 5.5.4, 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.

5.6 EVENT OF DEFAULT

Notwithstanding any of the provisions below in this Condition 5.6, 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 5.3 (*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 5.4.4 (b) (*Bank's Call Option*) and Condition 5.5.4 (*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 are due and payable, whereupon the same shall, subject to Condition 5.4.4 (*Redemption*) or Condition 5.5.4 (*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 5.6, 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 owed 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.

5.7 TAXATION

All Bondholders will receive the same interest rate, irrespective of the current withholding tax rate of 10% (if applicable) till the bonds are called by the Issuer.

However, all payments of principal and interest in respect of the Bonds by the Bank will be made deducting any 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 deduction is required by law.

5.8 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.

5.9 REGISTRAR, 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 registration and transfer of Bonds shall be in accordance with Laws of Oman.

The title to the Bonds passes on the recording 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. Bonds may be pledged, donated or bequeathed by notifying the Registrar to facilitate all necessary formalities.

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 securities listed on the MSM. MCD will act as the Registrar to the Bonds and maintain a register setting out the names, addresses, number of Bonds held and bank account details of the Bondholders.

Transfers may be made for a minimum of one Bond and transfer of any fractional Bond shall not be allowed. Bondholders may sell or buy Bonds through the MSM. Any charges levied by the Registrar shall be borne by the buyer and/or the seller of the Bonds in accordance with relevant regulations.

5.10 VARIATION OF RIGHTS

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

- (a) 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 fourteen (14) days.
- (b) 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.

5.11 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, subject to conditions prescribed in this Prospectus and in accordance with prevailing Laws of Oman.

5.11.1 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.

5.11.2 Within fourteen (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 fifteen (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.

5.11.3 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.

5.11.4 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 which 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.

5.11.5 In all circumstances, voting shall take place by way of a poll, in terms whereof each Bond shall represent one (1) 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.

5.11.6 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:

- (a) modify the dates on which interest is payable in respect of the Bonds or the maturity of the Bonds
- (b) 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;
- (c) change the currency of payment of the Bonds;
- (d) 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.

5.11.7 The Trustee may agree as per the powers vested in it by the Trust Deed without the consent of the Bondholders, to:

- (a) 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

-
- (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorization 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, authorization 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. If the Issuer fails to notify the Bondholders within a week, the Trustee shall be at liberty to notify the Bondholders.

5.11.8 In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorization 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.

5.12 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 CBO, 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 these Bonds, the Bank will not compensate the Bondholders of this Issue.

5.13 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.

5.13.1 Prescription

Claims against the Issuer in respect of principal and interest shall become time-barred unless made within the limitation periods provided by the Laws of Oman.

5.14 GENERAL DUTIES AND OBLIGATIONS OF THE ISSUER TO BONDHOLDERS

- (a) The Issuer 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.
- (b) The Issuer shall prepare interim 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 fourteen (14) days of a written request for such, which may be made to the Issuer.
- (c) The Issuer shall, in accordance with the regulatory requirements of Oman, publish its financial results timely in at least one (1) Arabic and one (1) English language newspaper, in each interim and annual financial reporting period, immediately after filing them with the MSM electronic transmission system.

- (d) If 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 Issuer 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.

5.15 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.

5.16 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.

5.17 SUBSCRIPTION PERIOD

The issue shall open for subscription on 25 November 2018 and shall close on 13 December 2018 (both days inclusive) with the end of the official business hours of the Collecting Bank.

5.18 JOINT AND FRACTIONAL 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. Fractional holdings are not permitted under current regulations.

5.19 LISTING OF BONDS

The Bonds shall be listed on the MSM.

5.20 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 Issuer.

5.21 Applicability of the Central Bank of Oman Rules & Regulations & Commercial Companies Law

The issue of the Bonds shall be governed by the CCL, the Capital Market Law and its Executive Regulations 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 related to Bonds issued under this issue from being adjudicated by a competent court of Oman. As this issue of Bonds is to meet the Additional Tier 1 Capital requirements of the Bank, the rules and regulations of the CBO shall have an overriding influence on this current issue.

5.22 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 Issuer in respect of these Terms and Conditions or any interpretation thereof shall be subject to amicable negotiations between the Issuer 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.

SECTION 6 - RISK FACTORS AND MITIGANTS

An investment in the Bonds may be subject to many risks. Before deciding whether to invest in the Bonds, Applicants should carefully consider and evaluate the risks inherent in the Bank's proposed business, including the risks described below, together with all other information contained in this Prospectus. Such risks could have an adverse effect on the Bank's proposed business and anticipated financial conditions or results. In such case, Applicants could lose all or part of their investment. Additional risks and uncertainties may also have an adverse effect on the Bank's proposed business.

The following risk factors are not comprehensive or exhaustive, as additional risks and uncertainties not presently known or that the Bank currently believes to be of minimal significance may also have an impact on the Bank and its proposed operations. If any of these uncertainties develop into an actual event, the Bank's proposed operations and actual results could differ materially from the financial projections contained in this Prospectus. 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 a political and economic nature.

Applicants should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Prospectus and their individual circumstances.

6.1 General Risks

(a) Economic Risk

Risk:

The Bank's performance is primarily dependent on the economic environment of Oman in which it operates. Any major slowdown in the economic environment could have an impact on the Bank's underlying performance.

Mitigants:

The Bank is run by experienced management which is supervised and guided by various committees of the Board, each with defined authority and responsibility. The Bank adopts a conservative credit policy and has strong operational and risk based internal controls.

(b) Changes in Regulation

Risk:

The Bank is under the supervision of CBO, CMA and MOCI in Oman. Any structural change in the prevailing regulatory climate could have an impact on the Bank's underlying performance.

Mitigants:

In line with the previous policies of the Omani regulatory authorities, any changes in regulations are expected to maintain a healthy banking sector and the Bank has a well-experienced and stable management and infrastructure to adapt to such changes.

6.2 Specific Risks

(a) Competition

Risk:

The Bank faces competition from other commercial, specialised banks and finance companies. This could result in increased pressure on business volumes as well as margins with a consequent impact on profitability.

Mitigants:

The Bank takes proactive steps to meet the challenges of competition.

(b) Credit Risk

Risk:

Credit risk is the risk that counter party to a financial instrument will fail to perform according to the terms and conditions of the contract thus causing the Bank to incur a financial loss.

Mitigants:

The Bank has clear parameters and limits on assessment and mitigation of credit and concentration risks. The bank has clearly laid out credit policies, which document, inter alia, the assessment of the payment ability and history of the borrower and lay down specific standards for collaterals. The policies also lay down concentration limits on the basis of CBO regulations. Concentration limits are monitored on various parameters, including geography and industry. The credit approval and administration procedures are also clearly laid down and the implementation of such procedures is ensured through adequate internal controls, including Internal Audits. Periodic credit review processes are in place to ensure continuing compliance with the policies.

The Bank strictly follows the CBO guidelines and instructions on classification of Non-Performing Loans and maintains adequate provisions in case of a loss. There is also a General Portfolio provision which is created on the entire Loans portfolio based on CBO guidelines. These robust credit policies and provisioning policies put the Bank in a comfortable position to address Credit Risks.

(c) Liquidity Risk

Risk:

Liquidity risk is the risk that the Bank will encounter difficulty in its maturing obligations to a counterparty.

Mitigants:

The Bank's policies are designed to ensure that even under severely adverse conditions; the Bank will be able to meet its obligations. The Bank's Asset Liability Committee (ALCO) meets periodically to review and monitor various relevant measures against target positions. The Bank also maintains significant investments in liquid instruments issued by Governments and banks principally for liquidity reasons. The Bank also has standby lines of credit to meet its obligations at any given time, if the need arises.

(d) Interest rate risk

Risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of underlying financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price during a given period.

Mitigants:

The Bank's overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect the Bank's net interest income. Interest rate risk is measured as the potential volatility in net interest income caused by changes in market interest rates. The Bank manages this risk by matching or hedging the re-pricing profile of assets and liabilities through various risk management strategies.

(e) Foreign Exchange Risk

Risk:

Foreign exchange risk is the risk that the foreign currency positions taken by the Bank may be adversely affected due to volatility in foreign exchange rates.

Mitigants:

The responsibility for management of foreign exchange risk rests with the treasury department of the Bank. Foreign exchange risk management is ensured through regular measurement and monitoring of open foreign exchange positions. Treasury takes every possible measure to cover open positions created by customer transactions.

Instruments used to mitigate this risk are foreign exchange spot, forwards, deposits, etc. These instruments help to insulate the Bank against losses that may arise due to significant movements in foreign exchange rates. All foreign exchange exposures are centrally managed by the Bank's Treasury and are daily marked to market. Limits have been assigned with respect to overnight open exposures, stop loss and authorised currencies to monitor and control foreign exchange exposures.

(f) Regulatory Risk

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.

Mitigants:

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.

(g) Business Continuity Risks

Risk:

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.

Mitigants:

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

6.3 RISK FACTORS RELATING TO THE BONDS

6.3.1 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 several 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 CBO 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.

It is the Bank's intention at the date of this Prospectus that a Write-down will take place:

- (a) after the Ordinary Shares and Junior Obligations 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 CBO has not notified the Bank in writing that the relevant Non-Viability Event has been cured as a result of such loss absorption;
- (b) 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 ranking parri passu with the Bonds; and
- (c) 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 (b) and (c) 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.

6.3.2 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 parri 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 to be 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 Amounts are payable if either a Non-Payment Event or a Non-Payment Election (as defined in the Conditions) occurs. Pursuant to Condition 5.3.2 (*Non-Payment Election*), in the event of a Non-Payment Election, the Bank may not make payment of an Interest 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 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 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 Amounts on their investment in the Bonds and shall not have any claim in respect thereof.

6.3.3 Redemption Risk

The Bonds are deeply 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 every Interest Payment Date thereafter).

Further, upon the occurrence of a Force Majeure event, the Bank may, at any time, in accordance with Condition 5.8 (*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 5.5.4 (*Consequences of a Force Majeure event*)).

6.3.4 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 5.11 (*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 Tier 1 Instruments, as provided in Condition 5.5.4 (*Consequences of a Force Majeure Event*).

6.3.5 Potentially no active market for Bonds

An active market in the bonds may not develop after their listing on the MSM. Therefore, investors could face liquidity risk as well as price risk on account of poor liquidity which may have an adverse effect on the market price of the bonds regardless of the actual operating performance of the Bank.

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

- (a) Changes in the Bank's operating results;
- (b) Economic developments and interest rate scenario; and
- (c) Change in credit rating of the Bank.

SECTION 7 - RIGHTS AND RESPONSIBILITIES

7.1 TRUSTEE

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

7.1.1 Responsibilities and Duties of the Trustee

- (a) Calling for periodical reports from the Issuer and inspect books of accounts, records, registers, the assets and the documents and reports relating to the credit rating of the Issuer.
- (b) Monitoring material contracts, events, actions and 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.
- (c) Ensuring that interest due on the Bonds has been paid to the Bondholders on the relevant interest due dates.
- (d) Monitoring the Issuer's adherence to the terms and conditions of the Issue and assessing whether or not the Issuer is able to discharge the claims of Bondholders as and when they become due.
- (e) Ascertaining that the Bonds have been redeemed in accordance with the terms & conditions of the Issue.
- (f) Acting upon any reasonable request of a holder of the Bonds, the auditors of the Issuer, MOCI, CBO, CMA, or the Issuer itself, who may alert MCD to a situation which may constitute an Event of Default or breach which has, or potentially may have a material and substantial effect on the rights of the Bondholders.
- (g) Calling or causing to be called the general meeting of Bondholders or on a request by one or more Bondholders who own at least 10% of the total issued Bonds. The call for the meeting shall be pursuant to Article 92 of the CCL.
- (h) Ascertaining that the funds raised through this Issue are utilized in accordance with this Prospectus.
- (i) Acting as an intermediary in resolving any material dispute arising between the Issuer and any individual Bondholder, or collective number of Bondholders on issues directly relevant to the terms and conditions relating to the Bonds.
- (j) Carrying out such other acts as necessary for the protection of the interests of the Bondholders.

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:

- (a) 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 a written letter addressed to the Chief Executive Officer 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.
- (b) If the Issuer fails to remedy any breach or action within a reasonable time period of having been given due notice by the Trustee to do so, or if 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 deems 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.
- (c) 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.

- (d) 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.
- (e) The Trustee shall be provided with the following documentation by the Issuer:
 - (i) Quarterly and yearly financial results of the Issuer.
 - (ii) A copy of all notices of general meetings of Shareholders of the Issuer.
 - (iii) 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.
 - (iv) The Trustee shall be entitled to request certain information from the Issuer in order for 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 reasonably deemed to be appropriate.

7.2 Bondholder's Rights

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

- (a) In the event the Bank exercises its Call Option, the right to receive the principal amount of the Bonds in accordance with Section 5 of this Prospectus.
- (b) The right to receive interest payable on the Bonds in accordance with Section 5 of this Prospectus.
- (c) The right to dispose or transfer the Bonds in accordance with Section 5 of this Prospectus and the Laws of Oman.
- (d) In the event of the liquidation of the Bank, the right to claim any amounts outstanding under the Bonds which is in priority only to claims of the holders of Ordinary Shares and Junior Obligations of the Bank.
- (e) 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.
- (f) The Bondholder shall have no right to participate in any other meetings of the Bank.

SECTION 8 – FINANCIAL HIGHLIGHTS

8.1 Financial Highlights

The summarized financial performance of the Bank (as per annual audited financial statements) for the past three years is presented below.

The complete financial statements are available on the Bank's website:

<http://ahlibank.om/investor-relations/financial-reports/> and on www.msm.gov.om.

Select Balance sheet data

In RO '000	31-Dec-17	31-Dec-16	31-Dec-15
Cash and balances with the Central Bank	116,628	140,343	123,700
Deposits and balances due from banks	16,569	30,772	60,377
Net loans and advances	1,634,458	1,522,106	1,518,052
Investment in securities	216,741	176,643	160,334
Other assets	30,186	29,790	35,802
Total assets	2,014,582	1,899,654	1,898,265
Due to banks	133,565	232,278	217,709
Customer Deposits	1,450,851	1,271,026	1,300,837
Share Capital	142,504	142,504	142,504
Total shareholders' funds(Including Tier 1 capital)	304,827	242,948	227,283
Book value per share (Baizas)	178.8	170.5	159.5

Income Statement

In RO '000	For the financial year ended		
	31-Dec-17	31-Dec-16	31-Dec-15
Net interest income	38,011	37,697	39,164
Net income from Islamic Financing and investments	6,588	7,035	7,147
Other operating income	10,360	8,840	9,662
Operating income	54,959	53,572	55,973
Impairment of loans and financing, net of recoveries & available for sale investments	(4,140)	(728)	(5,276)
Operating expenses	(19,421)	(19,216)	(20,316)
Profit before tax	31,398	33,628	30,381
Tax expense	(4,731)	(4,076)	(2,654)
Net profit	26,667	29,552	27,727
Earnings per share (Baizas)	18.7	20.7	19.5

Statement of Cash Flows

	2017	2016	2015
	RO '000	RO '000	RO '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation	31,398	33,628	30,381
Adjustments for:			
Depreciation	1,328	1,294	1,480
Loans and financing impairment, net of recoveries	3,571	152	4,750
Impairment on available for sale investments	569	576	526
End of service benefits provision	114	117	119
Loss on sale of property and equipment	8	-	35
(Gain) / loss on sale of investment	(554)	(53)	62
Operating profit before working capital changes	36,434	35,714	37,353
Decrease in due from banks	-	-	15,571
End of service benefits paid	(168)	(75)	(117)
Increase in loans & advances and financing	(115,923)	(4,206)	(133,931)
Net investment in held for trading investments	(48,732)	(30,268)	(23,947)
Decrease in due to banks	-	-	(36,019)
(Increase) / Decrease in other assets	(573)	5,288	(7,120)
Increase / (Decrease) in customers' deposits	179,825	(29,811)	224,647
Increase / (Decrease) in Other liabilities	3,586	(2,243)	4,694
Cash from / (used in) operations	54,449	(25,601)	81,131
Tax paid	(4,026)	(2,834)	(3,268)
Net cash from / (used in) operating activities	50,423	(28,435)	77,863
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) / Decrease in investment, net (excluding held for trading investments)	(22,719)	(5,451)	1,276
Purchase of property and equipment	(1,159)	(570)	(1,673)
Proceeds from sale of property and equipment	-	-	11
Net cash used in investing activities	(23,878)	(6,021)	(386)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (Decrease) in borrowed funds	7,700	1,925	(9,375)
Repayment of subordinated debt	(40,000)	-	25,000
Dividends paid	(14,250)	(14,250)	-
Proceeds from Tier 1 perpetual subordinated bond	50,000	-	-
Net cash (used in) / from financing activities	3,450	(12,325)	15,625
NET CHANGE IN CASH AND CASH EQUIVALENTS	29,995	(46,781)	93,102
Cash and cash equivalents at 1 January	53,812	100,593	7,491
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Refer below)	83,807	53,812	100,593
CASH AND CASH EQUIVALENTS COMPRISE OF THE FOLLOWING			
	2017	2016	2015
	RO '000	RO '000	RO '000
Cash and balances with Central Bank of Oman	116,103	139,818	123,175
Due from banks	16,569	30,772	60,377
Treasury bills with three months maturity	46,200	77,000	96,250
Due to banks	(95,065)	(193,778)	(179,209)
Cash and cash equivalents	83,807	53,812	100,593

Statement of Changes In Equity For The Year Ended 31 December 2017

	Share capital	Legal reserve	General loan loss reserve	Subordinated debt reserve	Fair value reserve	Special reserve	Retained earnings	Total	Tier 1 Perpetual subordinated bond	Total Equity
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
At 1 January 2017	142,504	22,984	6,543	44,541	416	-	25,960	242,948	-	242,948
Total Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	26,667	26,667	-	26,667
Other comprehensive income, net of tax	-	-	-	-	(538)	-	-	(538)	-	(538)
Transfer to Special reserve	-	-	-	-	-	228	(228)	-	-	-
Total comprehensive income	-	-	-	-	(538)	228	26,439	26,129	-	26,129
Transfer to legal reserve	-	2,667	-	-	-	-	(2,667)	-	-	-
Transfer from subordinated debt reserve*	-	-	-	(30,941)	-	-	30,941	-	-	-
	-	2,667	-	(30,941)	-	-	28,274	-	-	-
Transactions with owners recognised directly in equity										
Cash dividends paid	-	-	-	-	-	-	(14,250)	(14,250)	-	(14,250)
Total transactions with owners	-	-	-	-	-	-	(14,250)	(14,250)	-	(14,250)
Proceeds from Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	-	50,000	50,000
At 31 December 2017	142,504	25,651	6,543	13,600	(122)	228	66,423	254,827	50,000	304,827

Statement of Changes In Equity For The Year Ended 31 December 2016

	Share capital	Legal reserve	General loan loss reserve	Subordinated debt reserve	Fair value reserve	Special reserve	Retained earnings	Total	Tier 1 Perpetual subordinated bond	Total Equity
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
At 1 January 2016	142,504	20,029	6,543	40,337	53	-	17,817	227,283	-	227,283
Total Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	29,552	29,552	-	29,552
Other comprehensive income, net of tax	-	-	-	-	363	-	-	363	-	363
Total comprehensive income	-	-	-	-	363	-	29,552	29,915	-	29,915
Transfer to legal reserve	-	2,955	-	-	-	-	(2,955)	-	-	-
Transfer from subordinated debt reserve	-	-	-	4,204	-	-	(4,204)	-	-	-
	-	2,955	-	4,204	-	-	(7,159)	-	-	-
Transactions with owners recognised directly in equity										
Cash dividends paid	-	-	-	-	-	-	(14,250)	(14,250)	-	(14,250)
Total transactions with owners	-	-	-	-	-	-	(14,250)	(14,250)	-	(14,250)
At 31 December 2016	142,504	22,984	6,543	44,541	416	-	25,960	242,948	-	242,948

Statement of Changes In Equity For The Year Ended 31 December 2015

	Share capital	Legal reserve	General loan loss reserve	Subordinated debt reserve	Fair value reserve	Special reserve	Retained earnings	Total	Tier 1 Perpetual subordinated bond	Total Equity
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
At 1 January 2015	129,549	17,256	6,543	30,492	27	-	15,663	199,530	-	199,530
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	27,727	27,727	-	27,727
Other comprehensive Income, net of tax	-	-	-	-	26	-	-	26	-	26
Total comprehensive income	-	-	-	-	26	-	27,727	27,753	-	27,753
Transfer to legal reserve	-	2,773	-	-	-	-	(2,773)	-	-	-
Transfer to subordinated debt reserve	-	-	-	9,845	-	-	(9,845)	-	-	-
	-	2,773	-	9,845	-	-	(12,618)	-	-	-
Transactions with owners recognised directly in equity										
Issue of bonus shares	12,955	-	-	-	-	-	(12,955)	-	-	-
Total transactions with owners	12,955	-	-	-	-	-	(12,955)	-	-	-
At 31 December 2015	142,504	20,029	6,543	40,337	53	-	17,817	227,283	-	227,283

Select Ratios			
1. Profitability ratios	31-Dec-17	31-Dec-16	31-Dec-15
Return on Average Assets	1.40%	1.60%	1.60%
Return on Average Equity	10.70%	12.60%	13.00%
2. Capital			
Capital Adequacy Ratio (Basel III)	16.70%	15.00%	14.50%
Equity to assets	15.10%	12.80%	12.00%
3. Asset Quality			
Non-Performing Loans/gross loans	1.16%	1.10%	1.10%
Provision coverage	124.75%	133.90%	137.60%

*Source: Bank's annual audited financial statements

Loans and advances (RO '000)	31-Dec-17	31-Dec-16	31-Dec-15
Corporate loans	895,368	797,554	794,971
Retail loans	513,160	519,538	527,854
Al Hilal Islamic Financing	250,029	227,974	217,840
Less: Allowance for impairment	(24,099)	(22,960)	(22,613)
Net loans and advances	1,634,458	1,522,106	1,518,052

Concentration of gross loans and advances by sector, gross (RO '000)	31-Dec-17	31-Dec-16	31-Dec-15
Personal loans	637,385	645,512	647,691
Construction	341,790	292,258	263,654
Wholesale and retail trade	139,813	155,535	141,636
Manufacturing	95,120	81,642	85,906
Financial institutions	55,597	79,449	101,288
Services	110,761	71,152	78,186
Mining and quarrying	86,432	65,522	56,322
Transport and communication	76,690	44,656	65,835
Electricity, gas and water	47,480	37,394	30,405
Non-resident lending	27,136	34,787	32,575
Other	40,353	37,159	37,167
Total	1,658,557	1,545,066	1,540,665

Movement in Specific Provision including reserve, interest and profit (RO '000)	31-Dec-17	31-Dec-16	31-Dec-15
Specific provision at the beginning of the year	10,106	9,474	7,086
Less: recoveries	3,637	3,139	2,157
Less: written off	2,559	265	925
Add: net additions	6,422	4,036	5,470
Specific Provision at the end of the period	10,332	10,106	9,474

Investment portfolio (RO '000)	31-Dec-17	31-Dec-16	31-Dec-15
Trading portfolio	134,489	85,203	54,935
Available-for-sale	82,252	91,440	105,399
Total	216,741	176,643	160,334

Financial Statement of the Bank (Unaudited) as of 30 September 2018

	30-Sep-18	30-Sep-17	Growth %
	<i>All Figures RO in Millions</i>		
Loans & advances and Financing, net	1,870.9	1,654.4	13.1%
Total assets	2,251.7	2,001.4	12.5%
Customers' deposits	1,567.2	1,449.7	8.1%
Equity	303.5	248.1	22.3%
Operating income	44.92	40.00	12.3%
Operating expenses	16.81	14.24	18.0%
Profit for the period	21.66	19.76	9.6%

The complete financial statements are available on the Bank's website <http://ahlibank.om/investor-relations/financial-reports/> and on www.msm.gov.om.

8.2 Capital Adequacy

The principal objective of CBO's 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 Oman to maintain capital adequacy of 11%. As per the Basel III guidelines issued by CBO, Capital Conservation Buffer shall be 2.5% of the total Risk Weighted Assets which was implemented from 1 January 2014 and will take full effect by 1 January 2019.

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

	31-Dec-17	31-Dec-16	31-Dec-15
(RO '000')			
Common Equity Tier 1 (CET 1)	230,830	221,400	205,972
- Additional Tier 1	50,000	-	-
Tier I capital	280,830	221,400	205,972
Tier II capital	31,849	40,196	44,578
Total capital base	312,679	261,596	250,550
Risk weighted assets:			
Credit risk	1,639,809	1,563,083	1,591,322
Market risk	131,055	80,469	49,528
Operational risk	101,544	96,123	89,430
Total risk weighted assets	1,872,408	1,739,675	1,730,280
CET1 capital expressed as a % of total risk-weighted assets	12.33%	12.73%	11.90%
Total tier I capital expressed as a % of total risk-weighted assets	15.00%	12.73%	11.90%
Tier II capital expressed as a % of total risk-weighted assets	1.70%	2.31%	2.58%
Capital adequacy ratio	16.70%	15.04%	14.48%

Tier 1 capital consists of paid-up capital and reserves. 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 and subordinated debt.

8.3 Information regarding previous bond issues

Instrument	: 5.55% Non-guaranteed Bonds
Issued & Subscribed	: 6,000,000 Bonds
Nominal Value	: RO 1.000
Date of issue	: 20 April, 2004
Maturity Date	: 15 May, 2011

Instrument	: 5.50% subordinated bonds
Issued & Subscribed	: 35,000,000 Bonds
Nominal Value	: RO 1.000
Date of issue	: 16 December, 2010
Called on	: 6 February, 2017

Instrument	: 7.50% Additional Tier 1 Subordinated Perpetual Bonds
Issued & Subscribed	: 50,000,000 Bonds
Nominal Value	: RO 1.000
Date of issue	: 11 October, 2017
Maturity Date	: Perpetual with a call option (First call date is on 22 Oct 2022)

The Bank has serviced all the previously issued Bonds without any default in interest payments.

8.4 Litigations

There is no litigation against the Bank which could have a material adverse effect on the Bank's operations.

SECTION 9 – RELATED PARTY TRANSACTIONS

The Bank enters into transactions with major shareholders, directors, senior management and their related entities in the ordinary course of business at mutually agreed terms and conditions.

The year end balances in respect of related parties included in the statement of financial position are as follows:

	RO '000		
	2017	2016	2015
Directors and senior management			
Loans & advances and financing, net	565	754	896
Customers' deposits	881	1,195	1,201
Prepaid rent	29	67	20
Major shareholders and others			
Loans & advances and financing, net		-	-
Due from banks	829	665	762
Investments securities	468	475	476
Other assets			
- Fair value of forward contracts	67	-	6
Due to banks	38,814	61,931	154,421
Customers' deposits	9	36	1
Other liabilities			
- Fair value of foreign exchange forward contracts		35	-
- Fair value of swaps		-	33
- Accrued expenses		852	691
Contingent liabilities and commitments	15,041	21,994	24,533

	2017	2016	2015
Directors and senior management			
Interest income	24	20	26
Interest expense	18	17	22
Board remuneration proposed	162	161	162
Board sitting fees	38	39	38
Shariah Supervisory Board expenses	36	36	32
Other operating expenses	47	47	28
Major shareholders and others			
Interest income	0	-	13
Interest expense	1,585	1,085	798
Loss on fair value of interest rate swaps	162	2	34
Gain / (Loss) on foreign exchange forward contracts	67	57	-68
Other operating expenses	653	1,128	938

Compensation of the key management personnel is as follows:

RO'000	2017	2016	2015
Salaries and allowances	1,073	1,131	951
End of service benefits	33	36	30
Total	1,106	1,167	981

SECTION 10 - CORPORATE SNAPSHOT, BUSINESS PLAN AND STRATEGY

10.1 Background

Ahli Bank SAOG (previously known as Alliance Housing Bank) is a public joint stock company incorporated in Oman and is engaged in commercial banking activities. The registered address of the Bank is PO Box 545, Mina Al Fahal, Postal Code 116, Oman.

The Bank was incorporated in 1997 as a specialised housing bank focusing on the extension of residential mortgages and listed on the Muscat Securities Market. In January 2007, the Bank obtained in-principle approval from the Central Bank of Oman to operate as a full-fledged commercial bank.

In January 2008, Alliance Housing Bank changed its name to Ahli Bank SAOG. and commenced its commercial banking operations and diversified its business portfolio with varied activities including retail finance, corporate finance and trade finance. The Bank has successfully launched new deposit products and loan products which are competing with the best ones in the market. It has now established itself as a fully-fledged Omani commercial bank.

The Bank employed 542 employees as on 31 December 2017.

10.2 Key Stakeholders

The authorised share capital of the Bank is 2.5 billion shares of 100 Baizas each, out of which 1,496,287,951 shares are issued and fully paid up. Shareholders of the Bank who own 5% or more of the Bank's shares (whether in their name or through a nominee account) and their shareholding level are as follows:

Shareholder	Country of incorporation	Shareholding as at September 30, 2018
Ahli United Bank BSC	Bahrain	35.00%
Southern Orbit Investment LLC	Oman	9.89%
Oman Investment Fund Holding LLC and Oman Investment Fund	Oman	9.45%
Ubhar Capital - Asset Management	Oman	8.45%
Civil Service Employees Pension Fund	Oman	8.04%
Ministry of Defense – Pension Fund	Oman	5.79%
Others		23.38%
Total		100.00%

10.3 Products of Ahli Bank

10.3.1 Retail and Premium Banking

Ahli Bank continues to focus on providing traditional and Islamic banking products and services to its customers in order to increase and expand its market share and presence.

As part of its efforts to meet the growing banking needs of its customers, the Bank has launched customer-centric products and services. These include: the re-launch of the "MyHassad", the Lifetime Rewards program, which features special and unique rewards; Islamic Platinum and Signature credit cards, profitable transactions accounts - Islamic savings development, Platinum debit card, Signature, Islamic banking services and the provision of three-dimensional protection system for credit cards. And other products / services launched during the year 2018 including POS services, recurring deposit account, and bank insurance products.

10.3.2 Corporate Banking

Ahli Bank's brand in corporate banking continues to grow, as our specialized team is highly professional in both local and regional markets, ensuring fast and accurate transaction delivery with competitive banking services.

The Bank's specialized divisions include food and general trade, manufacturing, energy, real estate, contracting, financial services, travel, tourism and Al Hilal Islamic banking and small and medium-sized enterprises supported by our treasury, commercial finance and e-banking team.

Ahli Bank meets the needs of its large, medium and small business customers, offering a wide range of financial products and services at competitive prices and advisory services, complemented by the latest corporate banking platform.

10.3.3 Treasury & Financial Institutions

The Bank provides a comprehensive package of services in both treasury and investment products to the corporate, commercial and government institutions

10.3.4 Small and Medium Enterprises (SME)

Ahli Bank, recognizes the contribution of SMEs in the nation's economy and understands their needs for innovative and effective banking solutions

10.3.5 Asset Management

Ahli Bank's managed equity fund and the discretionary portfolios delivered a strong relative performance in 2017, in a year marked by the weak macro environment and tight liquidity in the region.

10.3.6 Brokerage

Ahli Bank provides brokerage services to institutional and retail customers on the MSM.

10.3.7 Al Hilal Islamic Banking Services

Al Hilal, which is the Islamic Banking arm of Ahli Bank, has shown tremendous growth since its launch in 2013. The Shariah compliant products and services offered by Al Hilal Islamic Banking Services cater to all customer segments, including institutional, corporate, SME and retail through a network of eight branches that have been designated for Islamic transactions; they are located in Al Wattayah, Bahla, Rustaq, Saham, Salalah, Samail and Mawalih. In addition to these branches, customers can also access services through ATMs, ATMs and Cash Deposit Machines in many commercial complexes throughout the Sultanate.

10.4 Business Plan and strategy

Ahli Bank will continue with its business model of managing asset growth with prudent risk management approach and position itself as a leading commercial bank in Oman. The Bank plans to achieve a sustained growth based on solid capital, funding and asset diversification. The Bank will try to maximize shareholder value by ensuring competitiveness in terms of ability to service clients' needs and through innovative capital structuring within regulatory guidelines

The broad funding strategy of the Bank is to prudently raise funds in a cost-effective manner on the basis of business requirements within acceptable regulatory framework.

The Bank seeks to diversify its funding sources and reduce dependence on institutional deposits progressively while adhering to regulatory requirements on the maturities.

To augment long term deposits, the Bank intends to launch new customer centric liability products so as to gather more retail deposits. In order to garner long term and stable deposits, the Bank will focus also

on Corporate & SME teams to open current accounts and call deposits. The Bank will reduce dependency on institutional funding with the aim to reduce concentration. Supplementary funding other than deposits, will be through medium term loan, certificate of deposits, retained profits, re-launch of special deposit schemes having additional features.

10.5 Sources of Financing and Debt Equity Ratio

(in RO '000)

	31-Dec-17	31-Dec-16
Short Term Debt		
Due to banks & other money market borrowings	133,565	232,278
Customers' deposits	1,450,851	1,271,026
Other Liabilities	-	-
Total Short-Term Debt	1,584,416	1,503,304
Long Term Debt -		
Subordinated Liabilities	25,000	65,000
Borrowed funds	57,750	50,050
Total Long-Term Debt	82,750	115,050
Total Debt	1,667,166	1,618,354
Shareholders' Equity		
Share capital	142,504	142,504
Legal reserve	25,651	22,984
General loan loss reserve	6,543	6,543
Subordinated debt reserve	13,600	44,541
Special Reserve	228	-
Fair value reserve	-122	416
Retained earnings	66,423	25,960
Total shareholders' equity	254,827	242,948
Total financing sources	1,921,993	1,861,302
Total Debt/equity ratio	86.7%	86.9%

11.1 INTRODUCTION

Good Corporate Governance practices are important in creating and sustaining shareholder value, ensuring appropriate disclosure and transparency. The Bank’s Corporate Governance Policy provides the framework for the principles of effective Corporate Governance standards across the Bank. Accordingly, timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the bank is an important part of corporate governance. This improves the public understanding of the structure, activities and policies of the bank. The CMA directives including the Code of Corporate Governance and the CBO circular BM 932 on Corporate Governance in Banks are the principal codes and drivers of the Corporate Governance practices in Oman and Ahli Bank fully complies with all their provisions.

Corporate Governance practice embodies the dual goals of protecting the interests of all stakeholders while respecting the duty of the board and senior management to oversee the affairs of a bank, ensure accountability, inculcate integrity and promote long-term growth and profitability. The Bank believes that sound Corporate Governance is critical to enhance and retain investor trust. Accordingly, it always seeks to ensure that it attains its performance rules with integrity. The Bank’s Board exercises its fiduciary responsibilities in the widest sense of the term. It also endeavors to enhance long-term shareholder value and respect minority rights in all its business decisions.

The Bank’s Corporate Governance philosophy is based on the following principles:

1. Satisfy the spirit of the law and not just the letter of the law.
2. Be transparent and maintain a high degree of disclosure levels.
3. Communicate externally, in a truthful manner, about how the Bank is run internally.
4. Have a simple and transparent corporate structure driven solely by business needs.
5. Management is the trustee of the shareholders’ capital and not the owner.

At the core of Corporate Governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Bank. The Bank believes that an active, well-informed and independent board is necessary to ensure the highest standards of corporate governance.

11.2 CORPORATE GOVERNANCE IMPLEMENTATION INITIATIVES

Good corporate governance is vital in supporting the delivery of strategic objectives. The Bank’s Board Committees play an important role in working with management to ensure its business is financially strong, that it is well-governed and that risks, if any, are identified and mitigated. Over the years, the Board has developed a corporate governance culture to help fulfill our corporate responsibility to various stakeholders. This ensures that the Board will have the necessary authority and practice in place to review and evaluate our operations periodically.

In compliance with the regulatory requirements and as per the best industry practices, four board level sub-committees have been set up to ensure effective functioning of the Board.

The Corporate Governance Structure of the Ahli Bank SAOG is depicted below:



11.3 BOARD OF DIRECTORS AND SUB-COMMITTEES OF AHLI BANK SAOG

Size and terms of the Board

The Board of Directors consists of 8 non-executive Directors. The term of office of the Board of Directors is three years which will expire in March 2020.

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.

The Bank's Board of Directors consists of the following:

Name of Director	Position	Type of Directorship
Hamdan Ali Nasser Al Hinai	Chairman	Independent
Anwar Hilal Hamdoon Al Jabri	Second Deputy Chairman	Independent
Sanjeev Baijal	Director	Non-Independent
Keith Henry Gale	Director	Non-Independent
Mustafa Shafqat Anwar	Director	Non-Independent
Rajeev Gogia	Director	Non-Independent/ Representing Ahli United Bank
Abdul Hameed Ahmed Al Bulushi	Director	Independent/ Representing Civil Service Employees Pension Fund
Khalid Ali Saif Al Yahmadi	Director	Independent

Profile of Board Members

The profile of the Board members is provided below:

1. Hamdan Ali Nasser Al Hinai, Chairman

Holds Masters in Development and project management, Bachelors in Business Management & Economics and Diploma in international Development Management. Director General, Purchasing and Contracts, Ministry of Defense; Chairman, Oman Power and Water Procurement Co. SAOC; Chairman, Albndr Lttnmyt SAOC; Director, Oman Trading Company.

2. Anwar Hilal Hamdoon Al Jabri, Second Deputy Chairman

Certified Public Accountant (CPA), USA, Masters of Business Administration (MBA), University of Hull, UK and Bachelors of Science in Accounting (BS.A), University of Akron, Ohio, USA. Investment Director of Oman Investment Fund (A Sovereign Wealth Fund). Director, Dhofar Power Company SAOC, Oman; Director, Ominvest, Oman; Director, National Life and General Insurance Company SAOC, Oman; Director, Taageer Finance Company SAOG, Oman. Previous experience as Financial Controller in Oman Refinery Company and various positions at Central Bank of Oman.

3. Sanjeev Baijal, Director

Chartered Global Management Accountant under Association of International Certified Professional Accountants; Member of the American Institute of Certified Public Accountants, and Associate Member of the Institute of Chartered Accountants of India. Deputy Group CEO: Finance and Strategic Development, Ahli United Bank BSC, Bahrain; Chairman, Al Hilal Life B.S.C. (c) & Al Hilal Takaful B.S.C. (c), Bahrain; Director of Ahli United Bank K.S.C.P., Kuwait; Previous experience as Group Head of Finance, Ahli United Bank B.S.C, Bahrain; Financial Controller, Al-Ahli Commercial Bank, Bahrain; Held various positions earlier at Ernst & Young, Bahrain and Price Waterhouse in India.

4. Keith Gale, Director

Holds a Bachelor's degree in Accounting and Finance from the University of Lancaster, UK. Associate Member of the Institute of Chartered Accountants England & Wales. Deputy Group CEO: Risk, Legal and Compliance, Ahli United Bank BSC, Bahrain. Deputy Chairman, Ahli United Bank SAE, Egypt; Director, Ahli United Bank K.S.C.P. Kuwait; Ahli United Bank (UK) PLC. Previously Group Head of Risk Management, Ahli United Bank, Bahrain; Former Head of Credit and Risk at ABC International Bank PLC; Former Assistant Vice President, Internal Audit Department, Arab Banking Corporation, Bahrain. Held various positions in the UK with KPMG and Ernst & Young.

5. Mustafa Shafqat Anwar, Director

Holds a Master of Business Administration, a Master of Public Administration and a Bachelor of Social Sciences (BSS) with Honours in Public Administration from the University of Dhaka, Bangladesh. Deputy Group CEO: Operations and Technology, Ahli United Bank BSC, Bahrain; Former Director, Ahli United Finance Company, Egypt; Former Director, Ahli United Bank (Egypt) S.A.E.; Former Deputy Chief Executive Officer, Finance, Risk and Operations, Ahli United Bank (Egypt) S.A.E.; Former Group Head Of Operations, Ahli United Bank B.S.C., Bahrain; Former Chief Operating Officer, Commercial Bank of Bahrain, Bahrain; Former Chief Operating Officer, Grindlays Bahrain Bank, Bahrain; Former Operations Manager Gulf, ANZ Grindlays Bank, UAE. Held various Management positions with ANZ Banking Group in Bangladesh, UK, UAE and Australia.

6. Rajeev Gogia, Director

Chartered Accountant from the Institute of Chartered Accountants, India and hold Bachelor of Commerce. Group Head of Strategic Development, Ahli United Bank BSC, Bahrain; Board Member of Ahli United Bank Egypt SAE, Kuwait & Middle East Financial Investment Co., Al Hilal Life B.S.C and Al Hilal Takaful B.S.C.

7. Abdul Hameed Ahmed Al Bulushi, Director

Hold High Diploma in Development, United Kingdom; Bachelor's degree in law, Egypt. Legal Expert in Civil Service Employees Pension Fund. Having more than 27 years of experience in Ministry of Civil Service & Civil Service Employees Pension Fund in different senior positions; Director, Oman Hospitality Company and Director, Al Nama Poultry Company.

8. Khalid Ali Saif Al Yahmadi, Director

Certified Islamic Finance Professional, INCEIF, Malaysia, Certified Public Accountant, USA, Master of Science in Accountancy & Finance, University of Illinois, Urbana-Champaign, USA and Bachelor of Science in Finance, Sultan Qaboos University, Oman. Investment Director – RML of Oman Investment Fund (A Sovereign Wealth Fund). Chairman, A'Ruwad International School; Director, Shaden Development Co. SDC and Director, Tilal Fund. Previous experience as Chief Investment Officer in Almadina Financial Services and other various positions.

Executive powers of the Board are:

1. Power of approving financial objectives, the business and financial policies of the Bank.
2. Power of approving internal regulations as well as specifying the powers, responsibilities and authorities of the executive management.
3. Power of reviewing and monitoring the disclosures and the compliance with regulatory requirements.
4. Power of nominating the members of the Sub-Committees, CEO and the key employees.

11.4 SHARIAH SUPERVISORY BOARD OF AL HILAL ISLAMIC BANKING SERVICES

Shariah Supervisory Board:

The Shariah Supervisory Board (the SSB) is an independent body of specialized jurists in fiqh al-muamalat (Islamic commercial jurisprudence), which is appointed with the responsibilities of giving Shariah directives, advices and approvals from formation stage of the Bank to operations stage and to ensure Shariah compliance of the Bank by giving decisions on Shariah Audit reports and producing a statement about Shariah compliance of the Bank. The SSB complies with regulatory requirements of Central Bank of Oman in respect of their supervision and advisory role for the Bank. The Fatawa and rulings of the SSB are binding on the Bank's Islamic Banking Services. The SSB of the Al Hilal Islamic Banking Services is comprised of four members.

Profile of SSB Members:

The profile of SSB members is provided below:

1. Dr. Ahmed Mohiyeldin Ahmed, Chairman

Dr. Ahmed is Head of Banking Research & Studies Department of Bank's Establishment and Studies, Al Barakah Group, Saudi Arabia. He holds PhD in Islamic Economics from Um Al Qorah University, Kingdom of Saudi Arabia. He is a leading spokesman of Shariah and its application in Islamic finance and has played vital role by serving several Islamic financial institutions with Shariah supervisory services. He has more than twenty years' experience of Shariah supervision of Islamic financing institutions and sits on the SSB of several Islamic financial institutions. He is well known for his extensive contribution for the institutionalization of Islamic banking and finance industry through his immense contribution with research, studies and practices.

2. Dr. Mohammed bin Tahir bin Mohammed Al Ibrahim, Member

Dr. Mohammed Tahir is currently working as Assistant professor at Sultan Qaboos University. Academically, he has a doctorate degree in Constitutional Jurisprudence from Edinburgh University, U.K. He is a researcher of Legal and Shariah studies and has been supervising masters as well as PhD level research thesis.

3. Dr. Abdulraouf Abdullah Hamood Al Tubi, Member

Dr. Abdulraouf has a PhD in Law from International Islamic University Malaysia, Master of Law – LLM in Law from UK and Bachelor Degree in Shariah Judicial Science. He is a highly talented, knowledgeable and an experienced Legal Professional. Currently, He is working as the General Counsel, Compliance Officer and Board Secretary of Abraj Energy Services SAOG and previously he held various positions at different organizations.

4. Dr. Mustaien Ali Abdulhameed, Member

Dr. Mustaien holds Bachelor of Economics and Political Sciences from Um Derman Islamic University in Sudan, MA and Ph.D. in Islamic Economics from the College of Islamic Shariah at Um ul Qura University in Makka from 1985-1992. He worked as Shariah advisor at the Shariah Board in Al Bilad Bank (2005-2015) and as Shariah Supervisor and Advisor at Al Rajhi Bank, Kingdom of Saudi Arabia (1995-2005). He contributed in establishing many banks, investment vehicles and takaful companies in both Sudan and Saudi Arabia. He is a researcher of Islamic economics and Shariah and has contributed in number of researches and studies on Economics and Shariah to several professional institutes and consultancy firms in Saudi Arabia and Sudan.

11.5 MANAGEMENT COMMITTEE MEMBERS OF AHLI BANK

1. **Said Abdullah Mohammed Al Hatmi, Chief Executive Officer**

Hold Masters in Business & Administrative from the University of Strathclyde, UK; Bachelor of Science in Finance from Sultan Qaboos University. Certified Management Accountant from Institute of Management Accountants, USA. Having more than fifteen years of commercial banking experience in the areas of corporate banking, risk and finance. Previously held various positions at HSBC Bank Middle East, Oman.

2. **Abdullah Salim Saud Salim Al Jabri, Deputy CEO – Support Services**

Having over nineteen years of conventional and Islamic Banking experience with Ahli Bank. Started his career with National Training Institute and then joined Alliance Housing Bank in 1997, where held various positions including Manager Retail Banking and Head of Central Operations. Lead the operations team in centralisation of operations after the conversion to full-fledged commercial bank. With the start of Islamic Banking in Oman in 2013, became Head of Al Hilal Islamic Banking Services and contributed in the success of Islamic Banking. Hold National Diploma in Engineering from Business & Technology Education Council, UK.

3. **Bilal Anwar, Deputy CEO – Wholesale Banking**

Hold Bachelor of Commerce from University of Allahabad, India; Certified Associate of Indian Institute of Bankers from Indian Institute of Bankers, Mumbai, India; Chartered Financial Analyst from Institute of Chartered Financial Analyst of India; Post Graduate Diploma in Business Administration from ICFAI Business School, Hyderabad, India. Having more than eighteen years of experience in banking at various banks including, Ahli United Bank BSC, Bahrain; IDBI Bank Limited, Mumbai, India; Abu Dhabi Commercial Bank, Mumbai, India.

4. **Hanaa Mohammed Al Kharusi, General Manager – Corporate Banking**

Hanaa is General Manager in Ahli Bank SAOG. She has an experience of over 18 years including significant banking experience in leading Omani banks and has successfully led various financial transactions and advisory projects in Oman. Hanaa is a graduate member of the prestigious National CEO Program (NCP) of the Government of Oman. She is a science graduate from Indiana University, USA and has been part of Executive Programs in The London Business School, UK and IMD, Switzerland.

5. **Ghada Abdul Latif Al Balushi, General Manager - Head of Risk Management**

Hold Bachelor in Economics from Sultan Qaboos University and Master of Business Administration from University of Hull, UK. Having more than eighteen years of Banking experience between Corporate Banking and Risk Management Departments. Worked in several banks including National Bank of Oman, Oman Development Bank and currently the Chief Risk Officer of Ahli Bank.

6. **Sriram Balakrishnan, AGM - Head of Finance/CFO**

Holds bachelor degree of commerce from University of Madras, India. Chartered Accountant from Institute of Chartered Accountant of India, Completed final examination of Institute of Cost Accountants of India. Post qualification of over 20 years in various industries including significant banking experience

11. 6 COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Ahli Bank SAOG publishes quarterly accounts and the same are uploaded on the Muscat Securities Market (MSM) website. The latest news and information about the Bank is also available on its website, www.ahlibank.om.

SECTION 12 - SHARE PRICE MOVEMENT AND DIVIDEND POLICY

The following table illustrates the movement in the share price of the Bank since 2014 –

Share Price Movement (prices in RO)

Period	Opening Price	High Price	Low Price	Closing Price
2014				
Q1	0.186	0.202	0.182	0.184
Q2	0.183	0.185	0.173	0.183
Q3	0.183	0.260	0.183	0.246
Q4	0.246	0.255	0.175	0.245
2015				
Q1	0.245	0.245	0.178	0.217
Q2	0.215	0.228	0.205	0.215
Q3	0.213	0.224	0.190	0.200
Q4	0.198	0.207	0.180	0.196
2016				
Q1	0.193	0.194	0.169	0.180
Q2	0.178	0.187	0.168	0.180
Q3	0.190	0.194	0.178	0.194
Q4	0.190	0.200	0.180	0.196
2017				
Q1	0.190	0.206	0.180	0.190
Q2	0.190	0.190	0.170	0.170
Q3	0.170	0.175	0.160	0.166
Q4	0.166	0.175	0.160	0.173
2018				
Q1	0.173	0.173	0.150	0.150
Q2	0.150	0.163	0.150	0.163
Q3	0.160	0.163	0.150	0.156

Source- MSM

Dividend policy

The dividend details of the Company for the past years are given below:

Year	Cash dividend	Stock dividend
2013	7.5%	2.5%
2014	-	10%
2015	10%	-
2016	10%	-
2017	10%	5%

SECTION 13 - SUBSCRIPTION CONDITIONS AND PROCEDURES

13.1 Eligibility for the subscription of Bonds

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

13.1.1 Prohibitions with regard to the Applicants for subscription

The subscriber 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.

13.2 Shareholder's (Investor) Number with MCD

1. Any person who desires to subscribe to the Issue must have an investor account with MCD. Application forms for obtaining investor number may be obtained as follows:
 - Download from <https://www.mcd.gov.om/>
 - Office of MCD: PO Box 952, Ruwi, PC 112, Oman, Tel. +968 24822222, Fax. +968 24817491
 - Branch of MSM based in Salalah, Oman
 - Brokerages licensed by CMA
2. With regard to the investors who presently hold account with MCD, they should ensure that their account includes all their particulars such as full name, postal address, Civil ID number or passport, particulars of the bank account. Investors may update their particulars through the above-mentioned outlets.
3. All correspondence including notices and cheques shall be sent to the investors at the address recorded at MCD. Therefore, all Applicants shall verify the correctness of such addresses.
4. Each Applicant shall be required, after opening of the MCD account or updating of his particulars, to obtain from MCD, his correct shareholder number to be written in the Application Form. The Applicant himself shall be responsible for verification of the shareholder number furnished in the Application Form. Applications with incorrect shareholder number shall be rejected without contacting the applicant.

For more information on these procedures, please contact:

Muscat Clearing and Depository Company SAOC, PO Box 952, Ruwi, PC 112, Oman

Tel. +968 24822222, Fax. +968 24817491

<https://www.mcd.gov.om/>

13.3 Subscription Period and Price

1. Subscription for the Issue shall start on the **25** November 2018 and shall close on the **13** December 2018 (both days inclusive) with the end of the official working hours of the Collecting Bank. The entitlement to the Bond will lapse if valid subscription is not made during the Subscription Period. The Bank may extend the subscription closing date with the approval of CMA.
2. Issue price – RO 1.000 per Bond (consisting of nominal value of RO 1).

13.4 Minimum and Maximum Application Size

The minimum number of Bonds for subscription is 100,000 and the maximum is 75,000,000 (including additional bonds applied).

13.5 Particulars of the Bank Account

1. Each Applicant shall be required to furnish the particulars of his bank account (Registered in the name of the Applicant). The Applicant 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 Applicant 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 Form. This can be done by submitting any document from the Bank of the Applicant showing therein account number and name of the account holder like bank account statement or a letter or any document issued by the said Bank showing the said information. The Applicant shall ensure that the evidence submitted is readable in a clear manner and shows the required details. The Applicant need not submit any such evidence if his refund bank account is with the same collecting bank where he is submitting his application. In this case, the collecting bank shall verify and confirm the correctness of the Applicant's refund bank account through its specific system and procedure.
3. In accordance with the instructions issued by the CMA, the particulars of the refund bank account referred to above shall be recorded in the Registers of MCD and this account shall be used for refunds. Whereas, with regard to the Applicants who have their Bank Accounts registered presently in the Registers of MCD, the Bank Account Number provided in the Application Form would be used only for refunds under this Issue.

13.6 Documentation Required

1. Copy of valid Civil ID card / valid Resident Card or valid passport.
2. Proof of refund bank account given in the Application Form if Application Form is submitted in a Collecting Bank other than the one with whom the Applicant has his account.
3. 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 (except for the subscription made by a father on behalf of his minor children).
4. 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.

13.7 Mode of subscription

1. The Applicant shall be responsible for furnishing all his particulars, ensuring correctness and validity of the information provided for in the Application Form. While emphasizing on it, the Collecting Bank has been instructed to accept only those applications forms that comply with all the requirements as provided for in the Application Form and Prospectus.
2. The Applicant shall be required, before submitting the Application Form, to peruse this Prospectus and read the conditions and procedures governing the subscription with total care and importance.
3. The Applicant 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 and date of birth in case of minor children. The Applicant shall be required to submit the Application Form to the Collecting Bank along with the payment towards the Bonds and also ensure that all required documents are enclosed.
4. Payment of application money can be made by cash / cheque / bank transfer to the following account:
Ahli Bank AT1 Perpetual Bond Issue a/c
A/c no. 9010-920908-514
Ahli Bank SAOG
Swift Code (BIC) AUBOORUXXX
5. In case of payment through bank transfer, the Applicant is responsible for ensuring successful transfer of application money to the Collecting Bank within the subscription period and the transfer acknowledgement copy must be attached with Application Form.

13.8 Collecting bank

The Application Form shall be accepted only by the Collecting Bank during its official working hours only.

The Collecting Bank shall accept the Application Form only after confirmation of compliance of the procedure and requirements as provided for in this Prospectus and the Laws of Oman. Hence, the Collecting Bank must instruct the Applicants to comply and fulfill all requirements that may appear in the application form before submission.

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

13.9 Non-acceptance of the Applications Form

The Collecting Bank shall not accept the Application Form under the following circumstances:

1. If the Application Form 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 this Prospectus.
3. If the value of the Bonds subscribed is paid through a cheque and if the same is dishonored for whatever reason.
4. If the Application Form is not bearing the shareholder number, available with MCD.
5. If the MSM number furnished in the Application Form is noted to be incorrect.

6. If the Applicant submits more than one application in the same name, all of them shall be rejected.
7. If the supporting documents referred to in this Prospectus are not enclosed with the Application Form.
8. If the Application Form does not contain all the particulars of the refund bank account of the Applicant.
9. If any particulars of the bank account given in the Application Form are noted to be incorrect.
10. If the particulars of the bank account provided for in the Application Form are found to be not relevant to the Applicant, except for the applications submitted in the name of minor children, who are allowed to use the particulars of the bank account held by their father.
11. In case of failure to have the Powers of Attorney attached with the Application Form as provided for in this Prospectus in respect of the person who applies and signs on behalf of another person (except for the father who subscribes on behalf of his minor children).
12. If the Application Form has not complied with the legal and organizational requirements as provided for in this Prospectus.
13. If the Application Form is not the original form sent by the Bank or a form which is not duly issued by the Issue Manager; or
14. If the Application Form is not complete or any information provided in it is found to be incorrect.

If the Collecting Bank observes, after receipt of the application form and before expiry of the time schedule prescribed for handing over of the applications in a final manner to the Issue Manager, that any application has not complied with the legal requirements as provided for in this Prospectus, the Collecting Bank shall make due efforts 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 Collecting Bank receiving the subscription shall be required to return the application for the subscription together with the application money before expiry of the period specified for handing over of the applications to the Issue Manager.

13.10 Refusal / Rejection of Application Form

The Issue Manager may reject any application 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 applications that are required to be rejected and reasons behind such rejections.

13.11 Enquiry & Complaints

The Applicants who intend to seek clarification or file complaints regarding issues related to the allotment or rejected applications or refund may contact the Branch of the Collecting Bank where the Application Form was submitted. In case of absence of any response from the Branch, the Applicant may contact the following person:

Mr. Habib Al Hamaid

Ahli Bank SAOG, PO Box 545, PC 116, Sultanate of Oman

Tel.: +968 24577200, Fax: +968 24568003, Email: Habib.AlHamaid@ahlibank.om

13.12 Allotment and Refund

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.

Refunds shall be made net of the bank charges and for refunds in foreign currency, as per the foreign exchange rate between RO and the currency of the respective country on the date such refund is made.

13.13 Proposed Timetable

ACTIVITY	DATE
Approval of Prospectus by CMA	18 November 2018
Date of commencement of subscription (Issue Open Date):	25 November 2018
End of subscription period (Issue Close Date):	13 December 2018
CMA approval for the Allotment and Issue Date	17 December 2018
Refund Date	17 December 2018
Listing and allotment: The new Bonds shall be allotted and the listed on the MSM within 15 Business Days of the Issue Closing Date.	23 December 2018

13.14 Listing & Trading

The Bonds shall be listed on MSM as per the laws and procedures prevailing on the date of listing application.

13.15 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 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 an event, the Issue Manager shall liaise with relevant authorities such as CMA and MSM for taking suitable steps and measures for repairing such damages.

SECTION 14 - UNDERTAKINGS

14.1 Issuing Company: Ahli Bank SAOG

The directors of Ahli Bank SAOG jointly and severally confirm that, to the best of their knowledge:

1. All the information provided in this Prospectus is complete, correct and reasonable care has been taken so as to avoid omission of any important facts or information that would have made the expressions in this Prospectus misleading.
2. That all the provisions set out in the Capital Market Law, CCL and the rules and regulations issued pursuant to them have been complied with.

Signed on behalf of the Board of Directors:

Name	Designation	Signature
	Chairman	Sd/-
	Director	Sd/-

14.2 Issue Manager: Investment Banking, Ahli Bank SAOG

In accordance with the responsibilities assigned to us pursuant to the Provisions laid down in Article 7 of the Executive Regulations of the Capital Market Law and Instructions issued by the Capital Market Authority, we have reviewed all the relevant documents and other material required for the preparation of this Prospectus pertaining to the Issue of Bonds of **Ahli Bank SAOG**.

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

We confirm that we have taken necessary due care 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 Bank, members of 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 care in ensuring that the information furnished to us by Ahli Bank SAOG 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 Bank, it is hereby confirmed that the Bank has neither concealed any fundamental information nor omitted any important information omission of which would have made the Prospectus misleading.
3. The Prospectus is consistent with all the rules and conditions governing the transparency as provided for in the Capital Market Law and applicable Specimen Prospectus available with the authority. Also noted to be in conformity with the CCL and the directives and decisions issued in this regard.
4. The data and information which have been presented in this 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.

For Issue Manager:

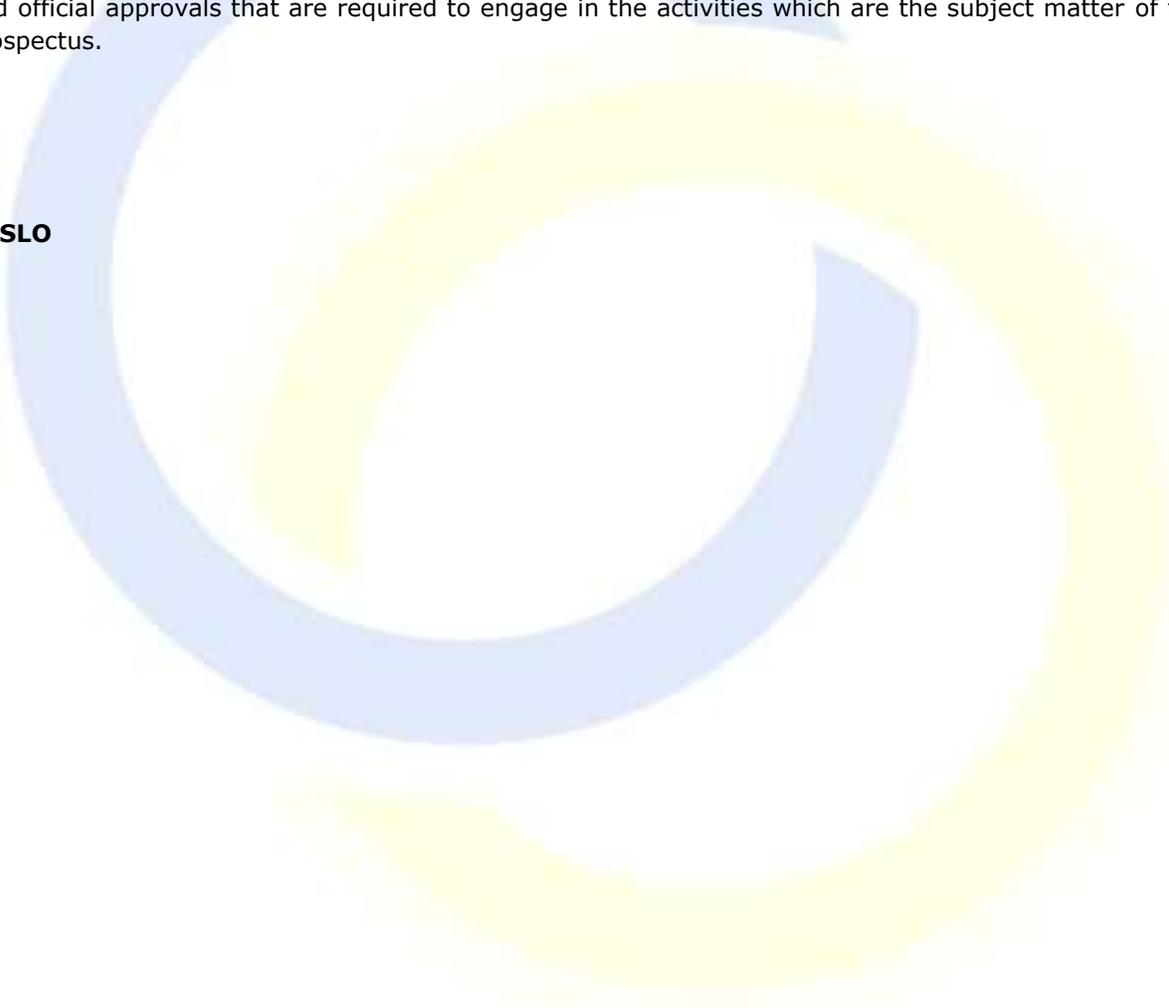
Sd/-

Investment Banking, Ahli Bank SAOG

14.3 Legal Advisor: SASLO

The Legal Advisor, whose name appears below, hereby confirms that all the procedures under this prospectus with regard to the Bond Issue are consistent and in conformity with the laws and regulations of Oman relevant to the activity of the Bank, the CCL, 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 and the resolutions of the general meeting of the Bank. The Bank has secured all the licenses and official approvals that are required to engage in the activities which are the subject matter of the Prospectus.

SASLO

A large, stylized graphic consisting of two interlocking, thick, curved lines. The inner curve is light blue and the outer curve is light yellow, creating a circular, abstract shape.