THIS OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE *SECURITIES ACT*)) AND ARE OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the *document*) whether received by e-mail, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document. In accessing the document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from any of the Bank and/or the Joint Lead Managers (each as defined below) as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended only for you and you agree you will not reproduce or publish this electronic transmission or forward the attached document to any other person.

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THE ATTACHED DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE JOINT LEAD MANAGERS AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

THIS DOCUMENT IS DIRECTED ONLY AT (I) PERSONS WHO ARE OUTSIDE THE UNITED KINGDOM; (II) PERSONS IN THE UNITED KINGDOM WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATED TO INVESTMENTS AND WHO ARE INVESTMENT PROFESSIONALS WITHIN THE MEANING OF ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 OF THE UNITED KINGDOM AS AMENDED (THE **FINANCIAL PROMOTION ORDER**); (III) PERSONS IN THE UNITED KINGDOM WHO FALL WITHIN ARTICLE 49(2)(A) TO (D) ("HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC.") OF THE FINANCIAL PROMOTION ORDER; AND (IV) OTHER PERSONS TO WHOM THIS DOCUMENT MAY OTHERWISE LAWFULLY BE DIRECTED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS **RELEVANT PERSONS**). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY OTHER PERSONS IN THE UNITED KINGDOM. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS.

CONFIRMATION OF YOUR REPRESENTATION The attached document is delivered to you at your request and on the basis that you have confirmed to Emirates NBD Bank PJSC, First Abu Dhabi Bank P.J.S.C., Kamco Investment Company K.S.C.P., Standard Chartered Bank and Ubhar Capital SAOC (together, the **Joint Lead Managers**) and Oman Arab Bank SAOG (the **Bank**) that: (i) you are located outside the United States and not a U.S. person, or acting for the account or benefit of any U.S. person; (ii) you consent to delivery by electronic transmission, (iii) you will not transmit the attached document (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Lead Managers and (iv) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities described herein.

Neither the Joint Lead Managers nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made therein, in connection with the Bank or the offer. The Joint Lead Managers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Joint Lead Managers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this document.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Bank in such jurisdiction.

Under no circumstances shall this document constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase any securities to be issued are reminded that any subscription or purchase may only be made on the basis of the information contained in the final version of the attached document.

This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Bank, the Joint Lead Managers nor any person who controls or is a director, officer, employee or agent of the Bank, the Joint Lead Managers nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing this document, you consent to receiving it in electronic form. A hard copy of the document will be made available to you only upon request to the Joint Lead Managers.

You are reminded that the attached document has been delivered to you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person and in particular to any U.S. Person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

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By purchasing, or making or accepting an offer to purchase, any Capital Securities from the Bank and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Bank and each of the Joint Lead Managers that if you are a Hong Kong purchaser, your business involves the acquisition and disposal, or the holding, of securities (whether as principal or as agent) and you fall within the category of persons described as "professional investors" under the Securities and Futures Ordinance (Cap. 571) of Hong Kong and its relevant rules.

UK MiFIR professionals / ECPs-only / No EU PRIIPs / UK PRIIPs KID – UK Manufacturer target market (UK MiFIR product governance) is eligible counterparties and professional clients only (all distribution channels). No EU PRIIPs or UK PRIIPs key information document (KID) has been prepared as not available to retail in European Economic Area or the United Kingdom.

بنك عُمان العربي
OMAN ARAB BANK

OMAN ARAB BANK SAOG

(incorporated as a public joint stock company in the Sultanate of Oman)

U.S.$250,000,000 Perpetual Tier 1 Capital Securities

The U.S.$250,000,000 Perpetual Tier 1 Capital Securities (the **Capital Securities**) shall be issued by Oman Arab Bank SAOG (the **Bank**) on 4 June 2021 (the **Issue Date**). Interest Payment Amounts (as defined in the Conditions) shall be payable subject to and in accordance with the terms and conditions set out in the "*Terms and Conditions of the Capital Securities*" (the **Conditions**) on the outstanding principal amount of the Capital Securities from (and including) the Issue Date to (but excluding) 4 June 2026 at a rate of 7.625 per cent. per annum. If the Capital Securities are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to 4 June 2026, Interest Payment Amounts shall be payable from (and including) 4 June 2026 subject to and in accordance with the Conditions at a fixed rate, to be reset on 4 June 2026 and every 5 years thereafter, equal to the Relevant 5 Year Reset Rate (as defined in the Conditions) plus a margin of 6.807 per cent. per annum. Interest Payment Amounts will (subject to the occurrence of a Non-Payment Event (as defined in the Conditions) in accordance with Condition 6.1 (*Non-Payment Event*) and the right of the Bank to elect not to make payments of interest in accordance with Condition 6.2 (*Non-Payment Election*)) be payable semi-annually in arrear on 4 June and 4 December in each year, commencing on 4 December 2021 (each, an **Interest Payment Date**). Payments on the Capital Securities will be made without deduction for, or on account of, 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 as described in Condition 12 (*Taxation*).

If a Non-Viability Event occurs, a Write-down shall occur on the relevant Non-Viability Event Write-down Date (each as defined in the Conditions), as more particularly described in Condition 10 (*Write-down at the Point of Non-Viability*). In such circumstances, the rights of the holders of the Capital Securities to payment of any amounts under or in respect of the Capital Securities shall, as the case may be, be cancelled or written-down *pro rata* among the holders of the Capital Securities and in each case, not restored under any circumstances. See "*Risk Factors – The rights of the holders of the Capital Securities to receive repayment of the principal amount of the Capital Securities and the rights of the holders of the Capital Securities for any further interest may be written-down permanently upon the occurrence of a Non-Viability Event*".

The Bank may elect, and in certain circumstances shall be required, not to make any payment of interest under the Capital Securities. Any Interest Payment Amounts not paid as aforesaid will not accumulate and the holder of the Capital Security shall not have any claim in respect thereof.

The Capital Securities are undated and have no final maturity. Unless the Capital Securities have previously been redeemed or purchased and cancelled as provided in the Conditions, the Capital Securities may, at the option of the Bank, subject to the prior consent of the Central Bank of Oman (the **CBO**), be redeemed at par (in whole but not in part) on the First Call Date or any Interest Payment Date after the First Call Date (each as defined in the Conditions), subject as further described in Condition 9 (*Redemption and Variation*). In addition, the Capital Securities may, in the event of a Tax Event or Capital Event (each as defined in the Conditions), be redeemed (in whole but not in part), subject to the prior consent of the CBO.

An investment in the Capital Securities involves certain risks. For a discussion of these risks, see "*Risk Factors*".

The Capital Securities may only be offered, sold or transferred in registered form in minimum principal amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Delivery of the Capital Securities in book-entry form will be made on the Issue Date. The Capital Securities will be represented by interests in a global certificate in registered form (the **Global Certificate**) deposited on or about the Issue Date with, and registered in the name of a nominee for, a common depositary (the **Common Depositary**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Individual Certificates (as defined in the Conditions) evidencing holdings of interests in the Capital Securities will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

Application has been made to the London Stock Exchange plc (the **London Stock Exchange**) for the Capital Securities to be admitted to the London Stock Exchange's International Securities Market (the **ISM**). The ISM is not a regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (**UK MiFIR**).

The ISM is a market designated for professional investors. The Capital Securities admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

References in this Offering Circular to the Capital Securities being **admitted to trading** (and all related references) shall mean that such Capital Securities have been admitted to trading on the ISM so far as the context permits.

The Bank has been assigned a long term bank deposits foreign currency rating of Ba3 (negative) and a short term bank deposits foreign currency rating of NP by Moody's Investors Service Inc. (**Moody's**). Moody's is not established in the European Union and is not registered under the Regulation (EC) No. 1060/2009 (as amended) (the **EU CRA Regulation**). Accordingly, the Bank's ratings issued by Moody's have been endorsed by Moody's Deutschland GmbH in accordance with the EU CRA Regulation and have not been withdrawn. Moody's Deutschland GmbH is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http:// www.esma.europa.eu/page/List-registered-and-certified-CRAs). As such, the ratings issued by Moody's may be used for regulatory purposes in the European Union in accordance with the EU CRA Regulation. Moody's is not established in the United Kingdom (**UK**) and is not registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**). Accordingly, the Bank's ratings issued by Moody's have been endorsed by Moody's Investors Service Limited in accordance with the UK CRA Regulation and have not been withdrawn. As such, the ratings issued by Moody's may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation.

The Bank has also been assigned a long-term foreign currency deposit rating of BB (with a negative outlook), a short-term foreign currency deposit rating of B (with a negative outlook) and a bank standalone rating of bb (with a negative outlook) from Capital Intelligence Ratings Ltd (**Capital Intelligence**). Capital Intelligence is established in the European Union, is registered under the EU CRA Regulation and is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http:// www.esma.europa.eu/page/List-registered-and-certified-CRAs). Capital Intelligence is not established in the UK and is not registered in accordance with the UK CRA Regulation.

A 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.

The Capital Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

Joint Lead Managers

Emirates NBD Capital **First Abu Dhabi Bank** **Kamco Invest**

Standard Chartered Bank **Ubhar Capital**

The date of this Offering Circular is 2 June 2021

IMPORTANT NOTICE

The Bank accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Bank, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Bank confirms that all third party information contained in this Offering Circular has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by the relevant third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that those documents are incorporated and form part of this Offering Circular.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Offering Circular refers does not form part of this Offering Circular.

The Joint Lead Managers (as defined in "*Subscription and Sale*") have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or any of their respective affiliates as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Bank in connection with the issuance of the Capital Securities nor any responsibility or liability accepted for any acts or omissions of the Bank or any other person in connection with this Offering Circular or the issue or offering of the Capital Securities. No Joint Lead Manager nor any of their respective affiliates accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Bank in connection with the issuance of the Capital Securities or any of the Joint Lead Managers' respective affiliates.

No person is or has been authorised by the Bank to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the issuance of the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank or any of the Joint Lead Managers.

Neither this Offering Circular nor any other information supplied in connection with the issuance of the Capital Securities: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Bank, any of the Joint Lead Managers or any of their respective affiliates, that any recipient of this Offering Circular or any other information supplied in connection with the issuance of the Capital Securities should purchase any Capital Securities. Each investor contemplating purchasing any Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank. Neither this Offering Circular nor any other information supplied in connection with the issuance of the Capital Securities constitutes an offer or invitation by or on behalf of the Bank, any of the Joint Lead Managers or any of their respective affiliates, to any person to subscribe for or to purchase any Capital Securities.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Capital Securities shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the issuance of the Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers and their respective affiliates expressly do not undertake to review the financial condition or affairs of the Bank during the life of the issuance or to advise any investor in the Capital Securities of any information coming to their attention.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Capital Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Capital Securities may be restricted by law in certain jurisdictions. The Bank and the Joint Lead Managers do not represent that this Offering Circular may be lawfully distributed, or that any Capital Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank, the Joint Lead Managers or any of their respective affiliates, which is intended to permit a public offering of any Capital Securities or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Capital Securities may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Capital Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of any Capital Securities. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of any Capital Securities in the United States (Regulation S, Category 2), the European Economic Area (the **EEA**), the United Kingdom, Japan, Hong Kong, Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), the Sultanate of Oman and the Kingdom of Saudi Arabia (see "*Subscription and Sale*").

The language of the Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

The Capital Securities may not be a suitable investment for all investors. Each potential investor in the Capital Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(a) has sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained in this Offering Circular;

(b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact the Capital Securities will have on its overall investment portfolio;

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including Capital Securities with principal or interest payable in one or more currencies, or where the currency for payments of principal or interest is different from the potential investor's currency;

(d) understands thoroughly the terms of the Capital Securities and is familiar with the behaviour of any relevant indices and financial markets; and

(e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Capital Securities are complex financial instruments and are of high risk and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Capital Securities. There are risks inherent in the holding of the Capital Securities, including the risks in relation to their subordination and the circumstances in which holders of the Capital Securities may suffer loss as a result of holding the Capital Securities. See "Risk Factors" beginning on page 1 for a discussion of certain considerations to be taken into account in connection with an investment in the Capital Securities. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Capital Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Capital Securities will perform under changing conditions, the resulting effects on the value of the Capital Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Capital Securities are legal investments for it; (b) the Capital Securities can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of any Capital Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Capital Securities under any applicable risk based capital or similar rules.

UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a **distributor**) should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (b) a customer within the meaning of Directive 2016/97 (the **Insurance Distribution Directive**) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **EU PRIIPs Regulation**) for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the UK PRIIPs Regulation.

STABILISATION

In connection with the issue of the Capital Securities, Standard Chartered Bank (the **Stabilisation Manager**) (or persons acting on behalf of the Stabilisation Manager) may over-allot Capital Securities or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the terms of the offer of the Capital Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the Capital Securities and sixty (60) days after the date of the allotment of the Capital Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

NOTICE TO THE RESIDENTS OF OMAN

The information contained in this Offering Circular does not constitute a public offer of securities in Oman as contemplated by the Oman Commercial Companies Law (Sultani Decree 18/2019, as amended) or Article 3 of the Capital Market Authority Law (Sultani Decree 80/98, as amended). This Offering Circular will only be made available to investors in Oman in accordance with the provisions of Article 139 of the Executive Regulations of the Capital Markets Law (Capital Markets Law Decision No. 1/2009, as amended) (the **Executive Regulations**) by an entity duly licenced by the Capital Market Authority of Oman to market non-Omani securities in Oman.

This Offering Circular has not been (and will not be) filed with the Capital Market Authority of Oman (except in accordance with Article 139 of the Executive Regulations), the CBO or any other regulatory authority in Oman and neither the Capital Market Authority of Oman nor the CBO assumes responsibility for the accuracy and adequacy of the statements and information contained in this Offering Circular and shall not have any liability to any person for damage or loss resulting from reliance on any statements or information contained herein.

NOTICE TO THE RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial advisor.

NOTICE TO THE RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Capital Securities issued in connection with this Offering Circular and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (the **CBB**) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000, or the equivalent amount in any other currency or such other amount as the CBB may determine.

This Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the Capital Securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Offering Circular. No offer of Capital Securities will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE STATE OF QATAR (INCLUDING THE QATAR FINANCIAL CENTRE)

This Offering Circular does not and is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar (including the Qatar Financial Centre) and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Stock Exchange or the Qatar Central Bank in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Capital Securities are not and will not be traded on the Qatar Stock Exchange.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE *SFA*)

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the **CMP Regulations 2018**), the Bank has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Capital Securities are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

Historical Financial Information and Comparability of Historical Financial Information

Unless otherwise indicated, the financial information in this Offering Circular has been derived:

- in respect of the financial information as at and for the year ended 31 December 2018, from the Bank's audited financial statements as at and for the year ended 31 December 2019 (the **2019 Financial Statements**); and

- in respect of the financial information as at and for the years ended 31 December 2019 and 31 December 2020, from the Group's audited consolidated financial statements as at and for the year ended 31 December 2020 (the **2020 Financial Statements** and together with the 2019 Financial Statements, the **Annual Financial Statements**); and

- in respect of the financial information as at and for the three months ended 31 March 2021 and 31 March 2020, from the Group's condensed interim financial statements as at and for the three months ended 31 March 2021 (the **Interim Financial Statements** and together with the Annual Financial Statements, the **Financial Statements**).

For the year ended 31 December 2020, the **Group** relates to the Bank and its subsidiary (as at the date of this Offering Circular being Alizz Islamic Bank SAOG (**AIB**)), which is the consolidated group following the AIB Acquisition on 30 June 2020. Al Yusr, was transferred to AIB on 6 July 2020. For further information on the AIB Acquisition and the Al Yusr Transfer, see "*Description of the Group—AIB Acquisition and Al Yusr Transfer*".

This Offering Circular presents both Group (consolidated) financial information for the year ended 31 December 2020 and Bank only (unconsolidated) financial information as at and for the year ended 31 December 2020. Investors should note the following:

- The 2020 Financial Statements are the first set of consolidated financial statements prepared by the Group following the AIB Acquisition and the Al Yusr Transfer. The 2020 Financial Statements include:

  (i) the consolidated statement of financial position of the Group as at 31 December 2020 and the consolidated statement of comprehensive income and statement of cash flows of the Group for the year ended 31 December 2020 which comprises (a) the Banks' statement of comprehensive income and statement of cash flows for the year and (b) AIB's statement of comprehensive income and statement of cash flows for the period from the effective date of the AIB Acquisition, being 30 June 2020, to 31 December 2020;

  (ii) the unconsolidated statement of financial position of the Bank as at 31 December 2020 and the unconsolidated statement of comprehensive income and statement of cash flows of the Bank for the year ended 31 December 2020, which includes the results and cash flows of Al Yusr from 1 January 2020 until 30 June 2020; and

(iii) comparative financial information of the Bank as at and for the year ended 31 December 2019 which includes Al Yusr's assets and liabilities as at 31 December 2019 and its results and cash flows for the year ended 31 December 2019.

- As a result of AIB Acquisition, the consolidated financial statements of the Group as at and for the year ended 31 December 2020 may not be comparable to the unconsolidated financial statements of the Bank as at and for the years ended 31 December 2020, 31 December 2019 and 31 December 2018.

- The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2020 include financial information in respect of Al Yusr from 1 January 2020 to 30 June 2020 only. As a result of the Al Yusr Transfer, the Bank did not report any financial information in respect of Al Yusr after 30 June 2020. No proforma accounts have been presented to reflect Islamic banking activities attributable to the historic Al Yusr business after the Al Yusr Transfer. The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2020 may not, therefore, be comparable to the financial statements of the Bank as at and for the years ended 31 December 2019 and 31 December 2018.

- After the Al Yusr Transfer, Al Yusr ceased to exist as a separate reporting segment. Al Yusr's Islamic banking activities were transferred to AIB and the financial information in respect of legacy Al Yusr business from 30 June 2020 to 31 December 2020 forms part of AIB's financial statements as at and for the year ended 31 December 2020 and, therefore, the consolidated financial information of the Group as at and for the year ended 31 December 2020.

Similarly, this Offering Circular presents both Group (consolidated) financial information as at and for the three months ended 31 March 2021 and Bank only (unconsolidated) financial information as at and for the three months ended 31 March 2021. Investors should note the following:

- The Interim Financial Statements include:

  (i) the consolidated financial information of the Group as at and for the three months ended 31 March 2021, which comprises the financial information in respect of the Bank as well as AIB as at and for the three months ended 31 March 2021 as the AIB Acquisition completed prior to the commencement of the reporting period;

  (ii) the unconsolidated financial information of the Bank as at and for the three months ended 31 March 2021, which does not include the results of Al Yusr for that period; and

  (iii) the financial information of the Bank as at and for the three months ended 31 March 2020, which comprises the financial information in respect of the Bank as at and for the three months ended 31 March 2020 as well as Al Yusr's for that period but do not include AIB as the AIB Acquisition took place in June 2020.

- As a result of the AIB Acquisition and the Al Yusr Transfer, the consolidated financial statements of the Group as at and for the three month period ended 31 March 2021 may not be comparable to the unconsolidated financial statements of the Bank as at and for the three months ended 31 March 2020.

- As a result of the Al Yusr Transfer, the unconsolidated financial statements of the Bank as at and for the three months ended 31 March 2021 do not include financial information in respect of Al Yusr. The unconsolidated financial statements of the Bank as at and for the three months period ended 31 March 2021 may not, therefore, be comparable to the financial statements of the Bank as at and for the three months ended 31 March 2020, which, as mentioned above, include Al Yusr's results for that period.

Reflecting the above factors, the "*Selected Financial Information*" and "*Financial Review*" sections in this Offering Circular may not accurately reflect the trends in the Group's historical financial performance and investors should consider the impact of the AIB Acquisition and the Al Yusr Transfer on the consolidated financial information when reviewing the Group's financial performance.

The following comparative figures as at and for the year ended 31 December 2019 have been reclassified in order to conform to the presentation for the 2020 Financial Statements.

	2020 Financial Statements 2019 RO'000	**2019 Financial Statements 2019 RO'000**
Net income from Islamic financing	2,747	-
Net fee and commission income	11,388	14,135

Currencies and Exchange Rates

In this Offering Circular, all references to:

- **$**, **U.S.$** or **U.S. Dollars** are to the lawful currency of the United States; and
- **RO**, **Rials** or **Omani Rials** are to the lawful currency of Oman.

The Financial Statements are presented in Omani Rials, which is the Group's functional (the currency of primary economic environment in which the Group operates) and presentation currency, rounded to the nearest thousand, unless otherwise stated.

In the Financial Statements and in this Offering Circular, U.S. Dollar amounts presented are only indicative. All financial statement figures as at and for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 and as at and for the three months ended 31 March 2020 and 31 March 2021 have been converted using the exchange rate of RO 1.00 = U.S.$2.601.

Defined Terms

The Group's financial year ends on 31 December and references in this Offering Circular to "**2020**", "**2019**" and "**2018**" are to the 12 month period ending on 31 December in each such year. Annual information presented in this Offering Circular is based upon 1 January to 31 December periods (which is the fiscal year for the Group), unless otherwise indicated.

In this Offering Circular:

- **AAOIFI** means the Accounting and Auditing Organization for Islamic Financial Institutions;
- **APMs** means alternative performance measures as defined in the ESMA Guidelines on Alternative Performance Measures;
- **Basel II** and/or **Basel III** means the reforms to the international regulatory capital framework issued by the Basel Committee;
- **Basel Committee** means the Basel Committee on Banking Supervision;
- **CBO** means the Central Bank of Oman;

- **CET 1** means common equity tier 1 capital described in the Basel III capital adequacy requirements implemented by the CBO circular dated 17 November 2013;

- **D-SIBs** means domestic systematically important banks;

- **EaR** means earnings at risk;

- **ECL** means expected credit loss predetermined in accordance with IFRS 9;

- **Euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended;

- **FAS** means the Financial Accounting Standards issued by AAOIFI;

- **FATCA** means the Foreign Account Tax Compliance Act;

- **FFMs** means full function machines;

- **financing** means the Group's loans and advances and financing to customers and/or the Bank's loans and advances and financing to customers portfolio, unless the context otherwise requires in respect of AIB (and historically, Al Yusr);

- **FVTPL** means fair value through profit or loss;

- **Gross NPL Ratio** means NPLs to total loans and advances and financing to customers as set out under "—*Presentation of Alternative Performance Measures*" below;

- **IASB** means the International Accounting Standards Board;

- **IBRF** means the Islamic Banking Regulatory Framework issued by the CBO on 18 December 2012;

- **IFRS** means International Financial Reporting Standards;

- **IFRS 9** means International Financial Reporting Standard 9 relating to Financial Instruments;

- **LCR** means Liquidity Coverage Ratio;

- **Net NPL (CBO) Ratio** means Net NPLs to gross loans and advances and financing to customers as set out under "—*Presentation of Alternative Performance Measures*" below;

- **Net NPL (IFRS 9) Ratio** means Net NPLs to gross loans and advances and financing to customers as set out under "—*Presentation of Alternative Performance Measures*" below;

- **NII** means net interest income;

- **Non-performing loans** or **non-performing financing (NPLs)** means Stage 3 exposure of the Bank and/or the Group, as applicable, including both funded and non-funded exposure;

- **NSFR** means Net Stable Funding Ratio; and

- **PCA** means the Prompt Corrective Action framework introduced by the CBO in 2005.

The financial data discussed in this Offering Circular should be read in conjunction with the Financial Statements and the related notes thereto. Unless otherwise specified, the financial data discussed in this Offering Circular has been extracted without material adjustment from the Financial Statements and the related notes thereto, as incorporated by reference in this Offering Circular.

The percentages or percentage changes in financial data included in this Offering Circular are based on the amounts reported in the Financial Statements. As a result, percentages or percentage changes stated in this Offering Circular may not be an exact arithmetical change of the numbers stated in this Offering Circular. As a result of rounding, the totals stated in the tables and text below may not be an exact arithmetical sum of the numbers in respect of which they are expressed to be a total.

Basis of Presentation for the Financial Statements

The Annual Financial Statements have been prepared in accordance with IFRS as issued by the IASB, the requirements of the Commercial Companies Law, the disclosure requirements of the CMA and the applicable regulations of the CBO. The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*".

Prior to the Al Yusr Transfer, the Bank prepared a separate set of financial statements for Al Yusr in accordance with the requirements of Section 1.2 of Title 3 of the IBRF which were then converted into IFRS compliant financial statements and consolidated in the 2019 Financial Statements. However, for the year ended 31 December 2020, no such separate financial statements have been presented for Al Yusr as a result of the Al Yusr Transfer. AIB prepares a separate set of financial statements in accordance with FAS issued by AAOIFI, the Shari'a rules and principles as determined by the SSB and other applicable requirements of the CBO. For the year ended 31 December 2020, AIB's financial statements were then converted into IFRS compliant financial statements and consolidated in the 2020 Financial Statements.

Auditors

The 2020 Financial Statements have been audited by KPMG, independent auditors, and the 2019 Financial Statements have been audited by Ernst & Young LLC, independent auditors, each in accordance with International Standards on Auditing.

The Interim Financial Statements have been reviewed by KPMG, independent auditors, in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*".

Presentation of Alternative Performance Measures

In this Offering Circular, the Bank uses the following metrics in the analysis of its business and financial position, which the Bank considers to constitute APMs.

Metric	Definition and method of calculation
Return on shareholders' funds	Profit for the year divided by the average total equity attributable to the equity holders of the Bank (calculated as the sum of total equity attributable to the equity holders of the Bank at the start and end of each year, divided by two).
Return on total assets	Profit for the year divided by average total assets (calculated as the sum of total assets at the start and end of each year, divided by two).

Cost to income	Operating expenses for the year divided by total income for the year.
Shareholders' funds to total assets	Total equity attributable to the equity holders of the Bank as at the relevant date divided by total assets as at the relevant date.
NPLs to total loans and advances and financing to customers (**Gross NPL Ratio**)	Non-performing loans and advances and financing to customers[1] as at the relevant date divided by gross loans and advances and financing to customers as at the relevant date.
Net NPLs to gross loans and advances and financing to customers (**Net NPL (CBO) Ratio**)	Net non-performing loans and advances and financing to customers[2] as at the relevant date divided by gross loans and advances and financing to customers as at the relevant date, calculated in accordance with CBO regulations.
Net NPLs to gross loans and advances and financing to customers (**Net NPL (IFRS 9) Ratio**)	Net non-performing loans and advances and financing to customers[3] as at the relevant date divided by gross loans and advances and financing to customers as at the relevant date, calculated in accordance with IFRS 9.
Provision coverage	Total allowance for credit losses[4] and contractual interest not recognised[5] as at the relevant date divided by non-performing loans and advances and financing to customers[6] as at the relevant date.
Net financings to customer deposits	Net loans and advances and financing to customers[7] as at the relevant date divided by deposits from customers as at the relevant date.
Net financings to total assets	Net loans and advances and financing to customers[8] as at the relevant date divided by total assets as at the relevant date.

[1] This is identified as the total gross amount of Stage 3 loans and advances and financing to customers, in the section titled '*comparison of provision held as per IFRS 9 and required as per CBO guidelines*' in Note 9 to the 2020 Financial Statements and 2019 Financial Statements.

[2] This is calculated by subtracting the total Stage 3 'provision required as per CBO Norms' from the total gross amount of Stage 3 loans and advances and financing to customers, in the section titled '*comparison of provision held as per IFRS 9 and required as per CBO guidelines*' in Note 9 to the 2020 Financial Statements and 2019 Financial Statements.

[3] This is calculated by subtracting the total Stage 3 'provision held as per IFRS 9' from the total gross amount of Stage 3 loans and advances and financing to customers, in the section titled '*comparison of provision held as per IFRS 9 and required as per CBO guidelines*' in Note 9 to the 2020 Financial Statements and 2019 Financial Statements.

[4] This is calculated by subtracting 'other items not covered under CBO circular BM 977 and related instructions' from the total 'provision held as per IFRS 9', in the section titled '*comparison of provision held as per IFRS 9 and required as per CBO guidelines*' in Note 9 to the 2020 Financial Statements and 2019 Financial Statements.

[5] 'Contractual interest not recognised' is the total 'reserve interest as per CBO norms' identified in the section titled '*comparison of provision held as per IFRS 9 and required as per CBO guidelines*' in Note 9 to the 2020 Financial Statements and 2019 Financial Statements.

[6] This is calculated by subtracting 'other items not covered under CBO circular BM 977 and related instructions' from the total gross amount of Stage 3 loans and advances and financing to customers, in the section titled '*comparison of provision held as per IFRS 9 and required as per CBO guidelines*' in Note 9 to the 2020 Financial Statements and 2019 Financial Statements.

[7] This is the figure included as 'loans and advances and financing to customers' in the statement of financial position in the Financial Statements.

[8] This is the figure included as 'loans and advances and financing to customers' in the statement of financial position in the Financial Statements.

Liquid assets to customer deposits	Cash and balances with the CBO, due from banks, Government Development Bonds[9], Sukuk[10] and T-Bills divided by customer deposits as at the relevant date.

PRESENTATION OF OTHER INFORMATION

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Defined Terms

In this Offering Circular:

- **AIB Acquisition** means the acquisition by the Bank of AIB on 30 June 2020 as further described in "*Description of the Group—AIB Acquisition and Al Yusr Transfer*";
- **Al Yusr Transfer** means the transfer of Al Yusr to AIB on 6 July 2020 as further described in "*Description of the Group—AIB Acquisition and Al Yusr Transfer*";
- **AML** means anti-money laundering;
- **AML Law** means the Anti-Money Laundering and Combating the Financing of Terrorism Law of Oman, promulgated by Sultani Decree 30/2016;
- **ATMs** means automatic teller machines;
- **BCSB** means the Bank Credit and Statistics Bureau adopted by the board of governors of the CBO pursuant to CBO Regulation BM/53/9/2011 issued on 11 January 2012;
- **Civil Transaction Law** means the Civil Transactions Law, promulgated by Sultani Decree 2/2013;
- **CMA** means the Capital Market Authority of Oman;
- **Commercial Companies Law** means the Commercial Companies Law promulgated by Sultani Decree 18/2019;
- **EU** means the European Union;
- **Foreign Capital Investment Law** means the Foreign Capital Investment Law of Oman, promulgated by Sultani Decree 50/2019;
- **GCC** means the Gulf Cooperation Council;
- **GDP** means gross domestic product;
- **Government** means the Government of Oman;
- **IMF** means the International Monetary Fund;

[9] This is identified under the section titled 'amortized cost' in Note 10 to the 2020 Financial Statements and 2019 Financial Statements.
[10] This is included as 'government sukuk' under the section titled 'amortized cost' in Note 10 to the 2020 Financial Statements and 2019 Financial Statements.

- **IT** means information technology;

- **MENA** and/or **MENA region** means the Middle East and North Africa and/or the Middle East and North Africa region;

- **MOCI** means the Ministry of Commerce and Industry of Oman;

- **MOCIIP** means the Minister of Commerce, Industry and Investment Promotion of Oman;

- **MSM** means the Muscat Securities Market (now known as Muscat Stock Exchange);

- **NCSI** means the Oman National Centre for Statistics and Information;

- **OCFIC** means the Oman Credit and Financial Information Center, established by the OCFIC Law;

- **OCFIC Law** means the Oman Credit and Financial Information Center Law, promulgated by Sultani Decree 38/2019 issued on 8 May 2019;

- **Old FCIL** means the Foreign Capital Investment Law of Oman, promulgated by Sultani Decree 102/1994;

- **Oman** means the Sultanate of Oman;

- **Oman Banking Law** means the Banking Law of Oman, promulgated by Sultani Decree 114/2000 (as amended);

- **Oman Tax Law** means the Income Tax Law promulgated by Sultani Decree 28/2009 (as amended) and its Executive Regulations (MD 30/2012, as amended);

- **OPEC** means the Organization of Petroleum Exporting Countries;

- **SMEs** means small and medium-sized enterprises;

- **UAE** means the United Arab Emirates;

- **UK** means the United Kingdom; and

- **United States** and/or the **US** means the United States of America.

In respect of the Bank's organisational structure, management and business divisions:

- **AIB** means Alizz Islamic Bank SAOC;

- **ALCO** means the Bank's Assets and Liabilities Committee as described in "Management and Employees—Key Senior Management Committees—Assets and Liabilities Management Committee (ALCO)";

- **Al Yusr** means the Bank's Islamic banking window which was transferred to AIB on 6 July 2020 pursuant to the Al Yusr Transfer;

- **Arab Bank** means Arab Bank Plc;

- **Audit Committee** means the audit committee of the Board as described in "*Management and Employees—Board Committees—Audit Committee*";

- **Board** means the Board of Directors of the Bank;

- **Compliance and Risk Committee** means the compliance and risk committee of the Board as described in "*Management and Employees—Board Committees—Compliance and Risk Committee*";

- **Compliance Division** means the Bank's compliance operational division as described in "*Description of the Group—Key Operational Divisions—Compliance Division*";

- **Corporate Banking** means the Bank's corporate and institutional banking business segment;

- **Credit Committee** means the credit committee of the Board as described in "*Management and Employees—Board Committees—Credit Committee*";

- **Director** means a member of the Board;

- **Elite Banking** means Retail Banking's elite wealth management division;

- **Internal Audit Division** means the Bank's internal audit operational division as described in "*Description of the Group—Key Operational Divisions—Internal Audit Division*";

- **Islamic Banking** means the Group's Islamic banking business segment provided through AIB after the Al Yusr Transfer and, prior to the Al Yusr Transfer, provided by Al Yusr;

- **ISRs** means Internal Shari'a Reviews;

- **Legal Department** means the Bank's legal operational division as described in "*Description of the Group—Key Operational Divisions—Legal Department*";

- **Management Risk Committee** means the risk committee of the Bank's senior management as described in "*Management and Employees— Key Senior Management Committees—Management Risk Committee*";

- **OMINVEST** means Oman International Development & Investment Co. SAOG;

- **Retail Banking** means the Bank's retail banking business segment;

- **Selection and Remuneration Committee** means the selection and remuneration committee of the Board as described in "*Management and Employees—Board Committees—Selection and Remuneration Committee*";

- **SSB** means the Shari'a Supervisory Board of AIB; and

- **Treasury** means the Bank's treasury business segment.

Presentation of Oman Statistical Information

The statistical information in the sections entitled "*Overview of the Sultanate of Oman*" and "*Oman Banking System and Prudential Regulations*" has been accurately reproduced from a number of different identified sources. All statistical information provided in those sections may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. GDP data is not final and may be subject to revision in future periods and certain other historical GDP data set out in that section may also be subject to future adjustment.

No Incorporation of Website Information

The Bank's website is http://www.oman-arabbank.com. Other than the information being incorporated by reference herein, the information on this website or any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Offering Circular, and investors should not rely on it.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Offering Circular may be deemed to be forward looking statements. Forward looking statements include statements concerning the Bank's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Offering Circular, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*", "*Description of the Group*" and other sections of this Offering Circular. The Bank has based these forward looking statements on its current view with respect to future events and financial performance. Although the Bank believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Offering Circular, if one or more of the risks or uncertainties materialise, including those identified below or which the Bank has otherwise identified in this Offering Circular, or if any of the Bank's underlying assumptions prove to be incomplete or inaccurate, events relating to the Bank and the Bank's actual results may be materially different from those expected, estimated or predicted.

The risks and uncertainties referred to above include, but are not limited to:

- the Bank's ability to realise the benefits it expects from its existing operations;
- risks arising as a result of the Bank's lending base and/or deposit base concentrations or its ability to manage liquidity risk;
- the Bank's ability to successfully restructure non-performing loans with debtors in financial distress or to manage higher levels of customer or counterparty defaults;
- the Bank's exposure to unexpected fluctuations in market interest rates or foreign exchange movements;
- the ability or willingness of the Bank's major shareholders to continue to support the Bank through future injection of capital or deposits; and
- changes in political, social, regulatory or economic conditions in the markets in the GCC and/or the wider Middle East and North Africa region or Turkey.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Any forward looking statements contained in this Offering Circular speak only as at the date of this Offering Circular.

Without prejudice to any requirements under applicable laws and regulations (including, without limitation, the ISM's rules and regulations regarding ongoing disclosure obligations), the Bank expressly disclaims any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

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RISK FACTORS

The purchase of the Capital Securities may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Capital Securities. Before making an investment decision, prospective purchasers of the Capital Securities should consider carefully, in light of their own financial circumstances and investment objectives, all of the information in this Offering Circular.

The Bank believes that the following factors may affect its ability to fulfil its obligations under the Capital Securities. Most of these factors are contingencies which may or may not occur. In addition, factors which are material for the purpose of assessing the market risks associated with the Capital Securities are also described below.

The Bank believes that the factors described below represent the principal risks inherent in investing in the Capital Securities but the inability of the Bank to pay interest, principal or other amounts on or in connection with any the Capital Securities may occur for other reasons which may not be considered significant risks by the Bank based on information currently available to it or which it may not currently be able to anticipate. The Bank does not represent that the statements below regarding the risks of holding any the Capital Securities are exhaustive.

Although the Bank believes that the various structural elements described in this Offering Circular lessen some of these risks for holders of the Capital Securities, there can be no assurance that these measures will be sufficient to ensure payment to holders of the Capital Securities of any interest, principal or other amounts on or in connection with any of the Capital Securities on a timely basis or at all. There may also be other considerations, including some which may not be presently known to the Bank or which the Bank currently deems immaterial, that may impact any investment in the Capital Securities.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision. Words and expressions defined in the Conditions and Global Certificate shall have the same meanings in this section.

FACTORS THAT MAY AFFECT THE BANK'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THE CAPITAL SECURITIES

Risks Relating to the Bank

The Bank is exposed to credit risks and relies on effective risk management policies to manage the growth and quality of its financing assets and investment securities and minimise impairment losses

Credit risk is the risk that a customer or counterparty will fail to meet its obligations in accordance with agreed terms and in doing so will cause the Bank to incur a financial loss.

Risks arising from adverse changes in the credit quality and recoverability of financing and amounts due from counterparties are inherent in a wide range of the Bank's businesses, principally in its lending and investment activities. Credit risks could arise from a deterioration in the credit quality of specific borrowers, issuers and other counterparties of the Bank, or from a general deterioration in local or global economic conditions, or from systematic risks within the financial systems. Such credit risks could affect the recoverability and value of the Bank's assets and require an increase in the Bank's impairment allowances for financing, securities and other credit exposures. Any significant increase in impairment allowances or a significant change in the Bank's estimate of the risk of loss inherent in its portfolio of non-impaired financing, as well as the occurrence of financing losses in excess of the impairment allowance allocated with respect to such losses, could have a material adverse effect on the Bank's business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

The Bank controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties, diversification of lending activities and compliance with internal limits to avoid undue concentrations of risk with individuals or groups of customers in specific locations or businesses, and by obtaining security when appropriate. However, if the Bank fails to maintain growth of its financing and investments portfolio while maintaining the quality of its assets through effective risk management policies this could lead to higher financing loss provisioning and result in higher levels of defaults and write-offs, which in turn could have a material adverse effect on the Bank's business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

The Bank establishes an allowance for credit losses as prescribed by IFRS and the CBO guidelines that represent its estimate of credit losses in its financing portfolio. Additionally, the Bank has applied IFRS 9, which came into effect from 1 January 2018. IFRS 9 imposes more stringent requirements on the Bank for the recognition of impairments. This has resulted in the Bank making one-off adjustment for impairments to its opening reserves as at 1 January 2018 which negatively impacts its capital adequacy and increases its provisions for impairments from 1 January 2018.

As at 31 December 2020, the Bank had NPLs amounting to RO 97.2 million and carried allowance for credit losses and contractual interest not recognised of RO 72.2 million to cover potential identified and unidentified impairment losses (compared with NPLs amounting to RO 73.9 million and carried allowance for credit losses and contractual interest not recognised of RO 53.6 million as at 31 December 2019). As at 31 December 2020, the total allowance for credit losses and contractual interest not recognised covered 74.3 per cent. of the Bank's NPLs (compared to 72.5 per cent. as at 31 December 2019). In accordance with IFRS, the Bank is required to reflect the impairment calculated as a charge to the income statement. The Bank's management believes that the levels of allowance for credit losses and contractual interest not recognised for NPLs as at 31 December 2020 are sufficient to cover the Bank's estimated impairment losses as at that date. However, the actual impairment losses could be materially different from the allowance for credit losses and contractual interest not recognised and if such allowances are insufficient to cover impairment losses this could have an adverse impact on the Bank's business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

The Bank's non-performing financing levels have increased since 2018 in line with the deterioration of the macroeconomic environment, with a Gross NPL Ratio of 2.73 per cent. as at 31 December 2018, 3.59 per cent. as at 31 December 2019 and 4.85 per cent. as at 31 December 2020. The Bank's Net NPL (CBO) Ratio was 1.54 per cent. as at 31 December 2018, 2.11 per cent. as at 31 December 2019 and 2.86 per cent. as at 31 December 2020. The Bank's Net NPL (IFRS 9) Ratio was 1.89 per cent. as at 31 December 2018, 2.40 per cent. as at 31 December 2019 and 3.07 per cent. as at 31 December 2020. The Group's Gross NPL Ratio as at 31 December 2020 was 4.51 per cent., its Net NPL (CBO) Ratio was 2.44 per cent. and its Net NPL (IFRS 9) Ratio was 2.56 per cent. For information on how the Bank manages its credit risk, please see "*Risk Management – Credit Risk*". If the Bank is unable to adequately control credit risk it may suffer a further deterioration in its financing portfolio, principally manifested in the form of increasing non-performing financing levels, and this could have an adverse impact on the Bank's business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

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

The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to economic volatility, which may materially and adversely affect the Bank's business, financial condition and results of operations

The outbreak of communicable diseases on a global scale may affect investment sentiment and result in sporadic volatility in global markets. The coronavirus known as COVID-19 was first identified in Wuhan, Hubei Province, China in late 2019 and spread to most countries around the world. At various periods within 2020 and to date in 2021, countries around the world, including Oman, imposed travel and other restrictions, with the aim to reduce in-person interactions. These measures, while designed to slow the spread of COVID-19, have resulted in significant reductions in economic activity globally. It is currently unclear how long existing restrictions will be in place, the duration of possible future restrictions and what their ultimate impact will be on global and local economies.

To date, the COVID-19 pandemic has negatively impacted the global economy and equity market valuations in many countries, created significant volatility and disruption in financial markets, decreased interest rates and increased unemployment levels. In addition, the pandemic has resulted in closures of many businesses and the institution of physical distancing and sheltering in place requirements in many countries, states territories and communities. The curfews and lockdown measures in Oman and certain other markets and slower economic activity, have had an adverse impact on the Bank which could continue in the future. The decrease in interest rates, together with capping of interest rates, waiver of interest and deferment of principal repayments mandated by the Government resulted in lower profits and liquidity mismatches for the Bank in the year ended 31 December 2020. Additionally, the impact of non-oil GDP contraction, lower oil prices and lockdown measures has resulted in potential restructuring of credit facilities to certain borrowers who have been impacted.

The extent to which the COVID-19 pandemic continues to impact the Bank's business, results of operations and financial condition, as well as the Bank's regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. In 2020, the CBO issued a number of measures, related to the COVID-19 pandemic, which have had an impact on the Bank. For example, the loan deferment scheme, which remains active as at the date of this Offering Circular, allows banks to defer payments of loan instalments and interest or profit for borrowers affected by the pandemic. Additionally, the maximum limit of the CBO's forex swap facility scheme offered to banks has been increased from 25 per cent. to 100 per cent. of a bank's net worth and the loan to value margin applicable to housing loans for first time home owners has been changed from 20 per cent. to 10 per cent. The CBO has also granted temporarily relief to certain banks to operate below the CBO's normal required liquidity coverage ratio of 100 per cent. (but subject to a lower limit of not less than 75 per cent.). This liquidity coverage ratio relief is subject to specific approval by the CBO on a case to case basis and, as at the date of this Offering Circular, the Bank has not applied for any such liquidity coverage ratio relief. The CBO, as part of its latest stimulus package, has recently suspended the two-track approach for the computation of additional provisions as per CBO norms and Significant Increase in Credit Risk (SICR) criteria assessment for the financial year 2021 only. Hence, banks in Oman are not required to create any additional impairment reserve for the financial year 2021.

Given the continuing disruption and downturn caused by the global COVID-19 pandemic, its rising debt burden and ratings downgrades, Oman faces a number of ongoing challenges in its efforts to implement urgent measures to counter the economic downturn. CBO measures introduced since 2020 are viewed as one of a number of welcome developments needed to stimulate the economy. However, these measures may not be sufficient to restore Oman's economy to its pre-COVID-19 trajectory. The impact of these measures on the Bank was that certain borrowers expressed their inability to meet their debt obligations and requested the restructuring of their credit facilities.

In addition, the COVID-19 outbreak may result in prolonged restrictions on travel and public transport, as well as prolonged restrictions imposed on workplaces and commercial activity, which may have a material adverse effect on the global economy, slow national economic development and impact the Bank's results. The duration, impact and severity of the outbreak cannot be predicted and is dependent upon the ongoing transmission and infection rates of COVID-19. The impact of prolonged restrictions may be significant and may potentially increase the Bank's provisioning requirements. Any material change in the financial markets, the Omani economy or the global economy as a result of these events or developments may have a material adverse effect on the Bank's business, results of operations and financial condition.

The Bank's business, financial condition and results of operations are materially affected by conditions in regional and global financial markets and economic conditions

The Bank operates in the Omani financial services industry, which is integrated with, and is dependent on, regional and global financial markets. Such regional and global financial markets are in turn affected by regional and global economic conditions. Enhanced credit risks for the Bank could arise from a general deterioration in regional or global economic conditions or from systemic risks within the regional or global financial systems.

The global financial services industry generally prospers in periods of economic growth and stable geopolitical conditions and benefits from capital markets that are transparent, liquid and buoyant and experience positive investor sentiment. However, any future increase in market volatility resulting from regional or global events could result in a material reduction in the availability of financing, both for the Bank and its customers, in turn compelling the Bank to rely on the CBO or the Government to provide liquidity and, in some cases, additional capital.

If significant market disruptions and high levels of volatility occur, the Bank may experience reductions in business activity, increased funding costs and funding pressures, decreased asset values, increased credit losses and impairment charges, and lower profitability and cash flows. The Bank's business and financial performance may also be adversely affected by future recovery rates on assets (including real estate and equity securities which it has accepted as security), particularly as the historical assumptions underlying asset recovery rates may prove to be inaccurate.

In addition, changes in interest rates and/or widening credit spreads can create a less favourable environment for certain of the Bank's businesses and could lead to a decrease in the demand for certain financing arrangements and other products and services offered by the Bank. In addition, fluctuations in interest rates and credit spreads have affected the fair value of financial instruments held by the Bank.

Although economic conditions are different in each country in the GCC region, investors' reactions to developments in one country may affect the price of securities of issuers in other countries in the GCC region, including Oman. Accordingly, the market price of the Capital Securities may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Bank.

The Bank is subject to the risk that liquidity may not always be readily available; this risk may be exacerbated by conditions in the financial markets

Liquidity risk is the risk that the Bank will be unable to meet its obligations, including funding commitments, as they fall due, which in turn could have a materially adverse effect on the Bank's business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

The Bank maintains liquid assets at prudent levels to ensure that cash can be made available quickly to honour its obligations, even under adverse conditions. To further address liquidity risk, the Bank's management has established liquidity monitoring procedures and is diversifying the Bank's funding sources in terms of origin and tenor. In addition, the Bank maintains a statutory deposit with the CBO and has a range of credit lines from banks and financial institutions.

However, any inability on the Bank's part to access funds or to access the markets from which it raises funds may put the Bank's positions in liquid assets at risk and lead to the Bank being unable to finance its operations adequately. A disrupted credit environment exposes the Bank to higher risk that it will not be able to access funds at favourable rates or that it will be unable to realise its high quality liquid assets in the market. These and other factors could also lead creditors to form a negative view of the Bank's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. If the Bank is unable to realise its high quality liquid assets to manage its liquidity requirements, this could have a material adverse effect on the Bank's business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

The Bank receives a significant portion of its funding from deposits (see "The Bank is dependent on short-term funding and liquidity"). Such deposits are subject to fluctuation due to certain factors outside the Bank's control, such as any possible loss of confidence and competitive pressures, which could result in a significant outflow of deposits within a short period of time. Any unexpected withdrawals of such deposits could have a material impact on the Bank's liquidity.

In addition, there are always some timing differences between cash payments the Bank owes on its liabilities and the cash payments due to it on its financing, investments and other assets. The Bank's ability to overcome these cash mismatches and make timely payments in respect of the Capital Securities may be adversely affected if a significant number of its financing counterparties were to default or if the fixed income markets were to experience significant liquidity problems. Also, under certain market conditions, the Bank could be unable to sell additional products or be unable to sell its portfolio investments in sufficient amounts and at sufficient prices to raise the cash required to pay all amounts due in respect of the Capital Securities.

Furthermore, in circumstances where the Bank's competitors have ongoing limitations on their access to other sources of funding, such as wholesale market derived funding, the Bank's access to funds and its cost of funding may also be adversely affected.

Although the Bank invests substantial time and effort in its risk management strategies and systems, these strategies and systems may nevertheless fail in certain circumstances, particularly when confronted with risks that the Bank did not identify correctly or in a timely fashion. Furthermore, risk methodologies and techniques may not cover the entire spectrum of risks to which the Bank may be subject. If any such risks materialise, the associated losses could be greater than the Bank may have anticipated, which could have a material adverse effect on its business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

The Bank is dependent on short-term funding and liquidity

A substantial portion of the Bank's funding requirements is met through short-term funding sources, primarily in the form of customer deposits. As at 31 December 2020, 66.3 per cent. of the Bank's customers' deposits had remaining maturities of one year or less or were repayable on demand.

In the past, a substantial portion of such customer deposits have been rolled over upon maturity or maintained with the Bank and, as a result, such deposits have over time been a stable source of funding for the Bank. The Bank cannot provide any assurance, however, that customers will continue to roll over or maintain their deposits with the Bank. If a substantial number of the Bank's customers fail to roll over their deposits upon maturity or withdraw their deposits from the Bank, the Bank's liquidity and financial position could be adversely affected and the Bank may be required to seek funding from more expensive sources, which could have a material adverse effect on the Bank's business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

Furthermore, disruptions, uncertainty or volatility in the capital and credit markets may limit the Bank's ability to refinance maturing liabilities and increase the cost of such funding. The availability to the Bank of any additional financing it may need will depend on a variety of factors, such as market conditions, the availability of credit generally and to borrowers in the financial services industry specifically, and the Bank's financial condition, credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of the Bank's financial prospects if, for example, the Bank incurs large losses, experiences significant deposit outflows or if the level of the Bank's business activity decreases. In particular, the Bank's access to funds may be impaired if rating agencies downgrade the Bank's debt ratings.

The Bank is exposed to certain concentration risks in both its financing portfolio and funding structure

Concentrations in the Bank's deposit portfolio subject it to risks of exposure to the Government, Government-related entities and pension funds and the risk of default by its larger corporate clients.

A substantial portion of the Bank's funding requirements are met through short-term and long-term deposits by the Government and Government-related entities. As at 31 December 2020, the Government and Government-related entities accounted for 27.9 per cent. of the Bank's customers' deposits. As at 31 December 2020, corporate customers accounted for 47.6 per cent. of the Bank's customers' deposits and retail customers accounted for 24.5 per cent. of the Bank's customers' deposits. Furthermore, the Bank's twenty largest depositors represented 37.4 per cent. of the Bank's total customers' deposits as at 31 December 2020.

The withdrawal of a significant portion of these large deposits could have a material adverse effect on the Bank's business, results of operation, financial condition, liquidity and prospects, as well as its ability to meet the CBO regulations relating to liquidity, and thereby affect the Bank's ability to make payments in respect of the Capital Securities. Any such withdrawal may require the Bank to seek additional sources of funding (whether in the form of deposits or wholesale funding), which may not be available to the Bank on commercially acceptable terms or at all.

Any failure to obtain any replacement funding may negatively impact the Bank's ability to maintain or grow its financing portfolio or otherwise increase its overall cost of funding, any of which could have a material adverse effect on its business, results of operation, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

As at 31 December 2020, the Bank's funded exposure to its ten largest corporate borrowers accounted for 19.1 per cent. of its gross loans and advances and financing to customers. A significant default by one or more of these borrowers could have an adverse effect on the Bank's business, financial condition, results of operations liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities. Financing to retail customers will remain strongly linked to the economic conditions in Oman, with changes in employment levels and interest rates among the factors that may impact retail credit exposures (see "*Risks relating to Investments in Oman — The Bank is dependent on the state of the Omani economy which, in turn, is largely dependent on developments in international oil and gas prices*").

A downturn in the financial position of any of the Bank's significant depositors or borrowers and/or a downturn in the financial position of a significant number of the Bank's other depositors or borrowers, when taken in the aggregate, could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects, and thereby affect its ability to perform its obligations in respect of the Capital Securities.

The Bank has significant off-balance sheet credit-related commitments that may lead to potential losses

As part of the Bank's financing and trade-related activities, the Bank provides guarantees, letters of credit and acceptances, which are commitments to make payments on behalf of customers contingent upon the failure of the customer to satisfy its obligations supported by the commitment. Although these commitments are contingent and therefore off-balance sheet, they nonetheless subject the Bank to credit risk. Credit-related commitments are subject to the same credit approval and compliance procedures as financings, and commitments to extend credit are contingent on customers maintaining specific credit standards. As at 31 December 2020, the Bank had RO 402.7 million of contingent liabilities.

Although the Bank anticipates that only a portion of the obligations in respect of these liabilities will be triggered, it may become obliged to make payments in respect of a greater than anticipated portion of such liabilities. If this were to happen, then such payments could have a material adverse effect on its business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

Security interests or financing guarantees provided in favour of the Bank may not be sufficient to cover any losses and may not be legally enforceable

The collateral held by the Bank as security against impaired financings primarily relates to commercial and residential property and pledged deposits. The practice of mortgaging or pledging assets (such as share pledges or legal mortgage security over real estate assets) to obtain bank financing is subject to certain limitations and administrative restrictions under Oman law. As a result, security over certain assets may not be enforced in Omani courts. Furthermore, there are no self-help remedies available to creditors in an enforcement scenario under Oman law and therefore recourse is only available through a formal court process. Accordingly, the Bank may have difficulty foreclosing on collateral (including any real estate collateral) or enforcing guarantees or other third-party credit support arrangements when debtors default on their financings.

In addition, even if such security interests are enforceable in Omani courts, the time and costs associated with enforcing security interests in Oman may make it uneconomic for the Bank to pursue such proceedings, adversely affecting the Bank's ability to recover its financing losses. In the event that the Bank does acquire real estate assets as a result of enforcement of security, the Oman Banking Law requires the Bank to dispose of the real estate within twelve months of it being acquired (unless an extension has been obtained from the CBO), which could limit the amount recoverable if market conditions are not such that the value of the real estate during the permitted twelve month window for its disposal is less than the value of the finance owed to the Bank.

As at 31 December 2020, the Bank had a net financing portfolio amounting to RO 1.9 billion, 38.8 per cent of which is secured by residential property, commercial real estate, government guarantee, counter guarantee, vehicles, cash margin and investment securities.

The Bank typically requires additional collateral in the form of cash, investment securities, land and building, vehicles and/or other assets in situations where the Bank may not be able to exercise rights over pledged shares or where it enters into guarantees or other third-party credit support arrangements for financings made to individuals and corporations. Any decline in the value or liquidity of such collateral may prevent the Bank from foreclosing on such collateral for its full value or at all in the event that a borrower becomes insolvent and enters bankruptcy, and could thereby adversely affect the Bank's ability to recover any losses.

The occurrence of the foregoing could have a material adverse effect on the Bank's business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

The Bank's financial condition and results of operations could be adversely affected by market risks, including volatility in interest rates

The Bank's financial condition and results of operations could be affected by market risks that are outside its control, including, without limitation, volatility in interest rates.

Fluctuations in interest rates could adversely affect the Bank's financial condition and results of operations in many ways. In particular, an increase in interest rates generally may decrease the value of the Bank's fixed rate loans and advances and financing to customers and may raise the Bank's funding costs. As a result, the Bank may experience a reduction in its net interest income. See Note 41 to the 2020 Financial Statements which illustrates the Bank's interest rate sensitivity as at 31 December 2020 and 31 December 2019 and also "*Risk Management—Market risk—Interest rate risk*". Interest rates are sensitive to many factors beyond the Bank's control, including the policies of central banks, such as the CBO and the U.S. Federal Reserve, political factors and domestic and international economic conditions (see "*The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to economic volatility, which may materially and adversely affect the Bank's business, financial condition and results of operations*" and "*The Bank's business, financial condition and results of operations are materially affected by conditions in regional and global financial markets and economic conditions*" above).

The Bank may become subject to increasingly intense competition

The Omani banking sector has become increasingly competitive, driven by factors such as an increase in the number of financial institutions operating or investing in the country. Increasing investment in the sector by Omani financial institutions other than banks (such as trade finance companies), as well as non-Omani financial institutions (particularly with respect to large scale financing, such as project finance), has facilitated the use of a wider range of financing sources by corporate customers (such as bond and share issuances) and increased the range and technological sophistication of products and services being offered to both the corporate and retail banking markets in Oman. Although the Bank offers a wide range of financing and continues to focus on enhancing its product and service offerings, furthering the quality of its customer service and improving its delivery channels, the Bank cannot be certain that some of its customers will not choose to transfer some or all of their business to its competitors or to seek alternative sources of financing from those competitors. Such choices could have a material adverse effect on the Bank's business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

Impact of consolidations or mergers in the Oman banking sector

The Oman banking industry is currently dominated by three banks which account for approximately two-thirds of the total credit in the banking system (Source: Oxford Business Group, The Report, Oman 2020). As at 31 December 2020, the Bank was the sixth largest bank in Oman by total financings, representing approximately 7.5 per cent. of total financing and 8.3 per cent. of total deposits in Oman and the Group was the fourth largest bank in Oman by total financings, representing approximately 10.3 per cent. of total financing and 11.3 per cent. of total deposits in Oman (Source: CBO Quarterly Statistical Bulletin December 2020). Given the overlap in services offered and the customer base in Oman, it is possible that one or more of the Bank's competitors may choose to merge or consolidate their operations. The benefits which may result from such a merger or consolidation may enable the

Bank's competitors to significantly enhance their financial resources, access to funding and product offerings. On 30 June 2020, the Bank acquired AIB (see "*Description of the Group —AIB Acquisition and Al Yusr Transfer*") exemplifying the consolidation of the Banking industry in Oman.

The Bank's future growth, revenue, cash flows and ability to make payments in respect of the Capital Securities could therefore be adversely affected if any of its competitors were to merge or consolidate.

The Bank depends on complex information technology systems, the failure, ineffectiveness or disruption of which could have a material adverse effect on it

The Bank is dependent on sophisticated information technology systems, the failure, ineffectiveness or disruption of which could materially adversely affect the Bank's businesses. The Bank uses Equation as its core banking system and OPICS as its core treasury dealing system. In addition, there are a number of other systems and sub-systems to support the businesses and operations of the Bank.

The proper functioning of the Bank's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to the Bank's business and ability to compete effectively. The Bank's business activities would be materially disrupted if there is a partial or complete failure of any of these information technology systems or communications networks. Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Bank's control including natural disasters, extended power outages and computer viruses or other malicious intrusions, see "*—The Bank's business is dependent on its information and technology systems which are subject to potential cyber-attack*" below.

The Bank relies on third party service providers for certain aspects of its business operations. Any interruption or deterioration in the performance of these third parties or failures in their information systems and technology could impair the quality of the Bank's operations and could impact its reputation.

The proper functioning of the Bank's information technology systems also depends on accurate and reliable data and other system input, which are subject to human errors. Any failure or delay in recording or processing the Bank's transaction data could subject it to claims for losses and regulatory fines and penalties. The Bank has implemented and tested business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any failure may have a material adverse effect on the Bank's business and reputation.

The Bank's business is dependent on its information and technology systems which are subject to potential cyber-attack

In common with other financial institutions based in the GCC and elsewhere in the world, the threat to the security of the Bank's information and customer data from cyber-attacks is real and continues to grow at pace. Activists, rogue states and cyber criminals are among those targeting computer systems around the world. Risks to technology and cyber-security change rapidly and require continued focus and investment to manage. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. Failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could disrupt the Bank's business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage the Bank's reputation and/or brands, which could have a material adverse effect on the Bank's business, results of operations and financial condition.

The Bank's ability to manage operational risks is dependent upon its internal compliance systems, which might not be fully effective in all circumstances

The Bank's risk management strategies and internal controls may not be effective in all circumstances and may leave the Bank exposed to unidentified or unanticipated risks. There can be no assurance that the Bank's risk management and internal control policies and procedures will adequately control, or protect the Bank against, all credit, liquidity, market, operational and other risks. Some of the Bank's methods of managing risk are based upon the use of historical market data which may not always accurately predict future risk exposures. In addition, certain risks could be greater than the Bank's empirical data would otherwise indicate.

Other risk management methods depend upon the evaluation of information regarding the markets in which the Bank operates, its customers or other matters that are publicly available or information otherwise accessible to the Bank. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Any material deficiency in the Bank's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Bank's business, results of operations and financial condition.

Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems (for example those of the Bank's counterparties or vendors). The Bank has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, but it is not possible to eliminate entirely each of the potential operational risks the Bank faces.

The Bank's ability to manage operational risk, including its ability to comply with all applicable regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. Although the Bank is subject to external audit and oversight by regulatory authorities, including regular examination activity, performs regular internal auditors to monitor and test its compliance systems, the Bank cannot be certain that these systems and procedures will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against the Bank. For example, for the year ended 31 December 2020, the Bank reported an exceptional RO 6.2 million operational loss provision on account of forgery and embezzlement by an employee along with his external accomplices. As at the date of this Offering Circular, the Bank has filed a criminal complaint with the concerned authorities and the criminal investigation is underway for appropriate legal action. The incident has been reported to the regulatory authorities and appropriate disclosure has been made on the MSM. In the case of actual or alleged non-compliance with applicable regulations, the Bank could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages. Any of these could have a material adverse effect on the Bank's business, results of operations and financial condition.

The interests of the Bank's principal shareholders may conflict with those of holders of the Capital Securities

As at the date of this Offering Circular, the Bank's principal shareholders are Arab Bank and OMINVEST who hold 49.00 per cent. and 31.64 per cent. of the Bank's shares, respectively. By virtue of such shareholdings, the principal shareholders have the ability to influence the Bank's business significantly through their ability to control and/or block actions that require shareholder approval. If circumstances were to arise where the interests of the principal shareholders conflict with the interests of holders of the Capital Securities, holders of the Capital Securities could be disadvantaged by any such conflict.

A downgrade in the Bank's credit ratings could limit its ability to raise funding and may increase its cost of borrowing

The Bank's credit ratings, which are intended to measure its ability to meet its debt obligations as they mature, are an important factor in determining the Bank's cost of borrowing funds. The interest rates of the Bank's borrowings are partly dependent on its credit ratings.

As at the date of this Offering Circular, the Bank had been assigned the following ratings from Moody's: long-term foreign currency deposit at Ba3 (with a negative outlook) and baseline credit assessment at ba3; and from Capital Intelligence: long-term foreign currency deposit ratings at BB (with a negative outlook), short-term foreign currency deposit ratings at B (with a negative outlook) and a bank standalone rating of bb (with a negative outlook).

A downgrade of the Bank's credit ratings, or a negative change in outlook, may increase its cost of borrowing and have a material adverse effect on its business, results of operations and financial condition.

A downgrade of the Bank's credit ratings (or a negative change in outlook) may also limit its ability to raise funding or capital. Moreover, actual or anticipated changes in the Bank's credit ratings generally may affect the market value of the Capital Securities. In addition, ratings assigned to the Capital Securities (if applicable) may not reflect the potential impact of all risks related to the transaction, the market or any additional factors discussed in this Offering Circular and other factors may affect the value of the Capital Securities. In March 2019, Moody's downgraded the long term issuer and senior unsecured bond ratings of the Government from Baa3 to Ba1, with the outlook remaining negative. As a result, later in the same month, Moody's downgraded the credit ratings of seven Omani banks, including the Bank, whose long-term foreign currency deposit rating was downgraded from Ba1 to Ba2. On 5 March 2020, Moody's downgraded the long term issuer and senior unsecured bond ratings of the Government from Ba1 to Ba2, with the outlook changing from negative to stable. However, Moody's stated in their rating action commentary that their baseline scenario assumes that oil prices will average $62 to $63 per barrel from 2020 to 2023 and Moody's also stated they assume that there will be a medium term oil price range of $50 to $70 per barrel. This led to a subsequent downgrade of the Bank's long-term local currency deposit rating to Ba2 from Ba1 and its long-term foreign currency deposit rating to Ba3 from Ba2 on 9 March 2020. Prevailing oil price levels remained below those assumed by Moody's for the purposes of their 5 March 2020 rating action and subsequent 9 March 2020 rating action. As a result, further downgrades of the Government's credit ratings and, in turn, those of the Bank, occurred. On 23 June 2020, Moody's further downgraded the long term issuer and senior unsecured bond ratings of the Government to Ba3 from Ba2, and changed the issuer outlook to negative. Moody's stated in their rating action commentary that the prevailing lower oil price environment was a reason of the downgrade and Moody's now assumes such environment will persist into the medium term. This further downgrade led to a subsequent downgrade of the Bank's long-term local currency deposit rating to Ba3 from Ba2 and its long-term foreign currency deposit rating to B1 from Ba3 on 25 June 2020, with the outlook of the Bank's long-term foreign currency deposit rating also being changed to negative. Moody's cited the Government's weakened fiscal capacity to support the Bank in case of need and a lower foreign currency deposit ceiling, following the downgrade in the Government's foreign currency issuer rating, as the primary driver for downgrading the Bank's ratings.

In addition, a further downgrade or potential downgrade of Oman sovereign rating or a change in rating agency methodologies relating to systemic support provided by Oman could negatively affect the perception by ratings agencies of the Bank's rating. There can also be no assurance that the rating agencies will maintain the Bank's current ratings or outlooks or those of Oman.

A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

Risks relating to legal, regulatory, compliance, tax and corporate governance

The Bank is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on the Bank

The Bank is subject to a number of regulations designed to maintain the safety and soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. See "*Oman Banking System and Prudential Regulations*". These regulations include Omani laws and regulations (particularly those of the CBO). These regulations may limit the Bank's activities and changes in these regulations may increase its cost of doing business. In addition, a breach of regulatory guidelines could expose the Bank to potential liabilities and sanctions. Changes in these laws and regulations (such as pursuant to Basel III) and the manner in which they are interpreted or enforced may have a material adverse effect on its business, results of operations and financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

No assurance can be given that the Government or the CBO will not implement regulations or fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on the Bank's business, financial condition, results of operations or ability to make payments due under the Capital Securities, or which could adversely affect the market price and liquidity of the Capital Securities.

The Bank may be subject to increased capital requirements or standards due to new governmental or regulatory requirements and changes in perceived levels of adequate capitalisation

In January 2015, the CBO issued a framework for D-SIBs which sets out a list of recommendations and requirements for banks identified as D-SIBs in Oman based on the recommendations of the Basel Committee. In addition, in April 2019, the CBO issued a "Bank Resolution Framework" which gives the CBO broad powers to handle an episode of failure within an Omani bank. For additional information regarding the Oman's Basel III requirements and the Bank's procedures and controls implemented in respect of such requirements, see "*Oman Banking System and Prudential Regulations*".

These regulations increase the amount of capital the Bank is required to maintain and may limit the Bank's activities. Whilst the Bank is currently in compliance with all CBO capital adequacy and liquidity requirements, including the guidelines on regulatory capital under Basel III published by the CBO on 17 November 2013 through CBO Circular BM 1114, it should be noted that, pursuant to the CBO's laws and regulations, the CBO is entitled to amend capital adequacy requirements at its sole discretion. Further changes in supervision and regulation in Oman could adversely affect the Bank's business, results of operations and financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities. The Bank is not currently a D-SIB, however, if this were to change, it would increase the amount of capital the Bank is required to maintain.

In line with international best practices, the CBO issued two concept papers titled 'Regulatory Capital under Basel III' and Composition of Capital Disclosure Requirements' (CBO Circular No. BM 1114 issued on 17 November 2013), as amended by CBO Circular BSD/2018/1 issued on 20 March 2018. The guidelines issued by the CBO require banks operating in Oman to have a robust capital adequacy framework which comprises a minimum total capital adequacy ratio of 13.5 per cent. of risk weighted assets. Common equity tier 1 capital should be maintained at a minimum level of 9.5 per cent. and tier 1 capital at a minimum level of 11.5 per cent. of risk weighted assets, with effect from 31 December 2013. NSFR together with LCR are the key reforms proposed by the Basel Committee to promote a more resilient banking sector, see "*Oman Banking System and Prudential Regulations—Bank Regulation in Oman—Capital Adequacy*".

Requirements imposed by regulators, including capital adequacy requirements, are designed to ensure the integrity of the financial markets and to protect customers and other third parties with whom the Bank deals. These requirements are not designed to protect the holders of the Capital Securities. Consequently, these regulations may limit the Bank's activities, including its financing, and may increase the Bank's costs of doing business, or require the Bank to seek additional capital in order to maintain Omani capital adequacy requirements or different varieties of funding to satisfy the Omani liquidity requirements. In addition, a breach of regulatory guidelines in Oman could expose the Bank to potential liability and other sanctions, including the loss of its general banking licence.

Additional capital, whether in the form of financing arrangements or additional equity, may not be available on attractive terms, or at all. Further, any such development may require the Bank to change how it conducts its business, including by reducing the risk and leverage of certain activities, or otherwise have an adverse impact on its business, the products and services it offers and the value of its assets. The Bank may become subject to mandatory guidelines and direct monitoring by the CBO should it fail to maintain its capital position.

There can be no assurance that the Bank would be successful in increasing its capital ratios sufficiently or within the timetable required should they fall, or come close to falling, below the regulatory required limits. If the Bank's capital ratios were to come close to falling below the regulatory required limits, the Bank's credit ratings may drop, its cost of funding may increase and its ability to enter into financial arrangements and thereby generate revenue may be adversely affected which in turn could have a material adverse effect on the Bank's business, results of operations and financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

The Bank's ability to carry out its business and to achieve its strategic objectives could be impaired if it is unable to maintain or obtain required licences, permits, approvals and consents

In order to carry out and expand its businesses, it is necessary for the Bank to maintain or obtain a variety of licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licences, permits approvals and consents are often lengthy, complex, unpredictable and costly. If the Bank is unable to maintain or obtain the relevant licences, permits, approvals and consents, the Bank's ability to achieve its strategic objectives could be impaired, which could have a material adverse effect on its business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

Oman's legal system continues to develop and this may create an uncertain environment for investment and business activity

Oman is still developing the legal and regulatory institutions that are characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner. As the legal environment remains subject to continuous development, investors in Oman may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in Oman may have a material adverse effect on the rights of holders of the Capital Securities or the investments that the Bank has made or may make in the future, which may in turn have a material adverse effect on the Bank's business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

The Bank is exposed to an increased tax burden as a result of changes in the Omani Tax Law

In connection with certain changes to the Oman Tax Law, which came into force on 27 February 2017, withholding tax is to be levied on the gross amount of certain categories of income including payments of interest (as specified under "*Taxation—Omani Tax Law*" below) paid or credited to the account of any non-resident person, being foreign companies that do not have a permanent establishment in Oman and those that carry on business through a permanent establishment but do not include the accrued income in the gross income of that permanent establishment. Companies in Oman, including the Bank, making payment to foreign based companies of the nature specified above are obliged to deduct withholding tax at source at the rate of 10 per cent. on the gross amount paid or credited and to remit it to the Oman Tax Authority or any successor entity. Any obligation to gross up payments is expected to increase the Bank's finance costs in connection with its borrowings, including the Capital Securities. However, the existing Oman Income Tax Law was amended by Ministerial Decision 14/2019 (the **Tax Decision**). The Tax Decision clarifies the application of withholding tax deductible pursuant to Article 52(5) of the Omani Income Tax Law. Withholding tax is not applied to interest or periodic distribution amounts paid in respect of bonds and sukuk issued by the government or banks located in Oman.

In addition, with effect from 27 February 2017, the threshold below which income is not taxed was eliminated (from RO 30,000), and the rate of tax to which the Bank is subject was increased to 15 per cent. (from 12 per cent.). Any further increase in the Bank's tax burden could have a material adverse effect on the Bank's business, results of operations, financial condition liquidity and prospects and, if continued, could adversely affect the Bank's ability to fulfil its obligations in respect of the Capital Securities.

Risks Relating to Investments in Oman

The Bank's principal operations are in Oman, which is an emerging market and as such is subject to greater risks than more developed markets; furthermore, volatility in one emerging market may have a spillover effect into other emerging markets and could negatively impact the Bank's business, financial condition and results of operations

Investment in emerging markets is generally only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors should also note that emerging markets such as Oman are subject to rapid change. Moreover, financial turmoil in any emerging market country tends to adversely affect confidence in markets of all emerging market countries as investors move their money to more developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Oman and adversely affect the Omani economy. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Omani economy remains relatively stable, financial turmoil in any emerging market country could adversely affect the Bank's business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities, as well as result in a decrease in the price of the Capital Securities. Companies, such as the Bank and many of its borrowers and creditors, which are located in countries in the emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

Specific country and regional risks that may have a material impact on the Bank's business, operating results, cash flows and financial condition include:

- regional political instability, including government or military regime changes, riots or other forms of civil disturbance or violence, including through acts of terrorism;

- military strikes or the outbreak of war or other hostilities involving nations in the region;
- a material curtailment of the industrial and economic infrastructure development that is currently underway across the MENA region;
- limited overall market liquidity;
- an increase in inflation and the cost of living;
- cancellation of contractual rights, expropriation of assets and/or inability to repatriate profits and/or dividends;
- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies, land and water use and foreign ownership;
- arbitrary, inconsistent or unlawful government action;
- changing tax regimes, including the imposition or increase of taxes in tax favourable jurisdictions such as Oman;
- difficulties in staffing and managing operations;
- difficulties in enforcing collateral;
- difficulties and delays in obtaining governmental and other approvals for operations or renewing existing ones;
- inability to repatriate profits or dividends;
- restrictions on the right to convert or repatriate currency or export assets;
- greater risk of uncollectible accounts and longer collection cycles;
- potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
- logistical and communications challenges; and
- changes in labour conditions.

There can be no assurance that either the economic performance of, or political stability in, Oman or other countries in which the Bank may in the future operate can or will be sustained. Investors should note that a worsening of current financial market conditions, instability in certain sectors of the Omani economy or a major political upheaval in Oman could lead to decreased investor and consumer confidence, market volatility, economic disruption, and declines in real estate markets and, as a result, could have an adverse effect on the Bank's business and prospects.

The Bank is dependent on the state of the Omani economy which, in turn, is largely dependent on developments in international oil and gas prices

The Bank's operations are concentrated in Oman. As at 31 December 2020, 98.5 per cent. of the Bank's total assets and 99.6 per cent. of the Bank's total liabilities are in Oman. Therefore, the business, results of operations and financial condition of the Bank is heavily dependent on the performance of the Omani economy, which, in turn, is dependent on economic considerations, including but not limited to the price of crude oil.

The Bank's business, results of operations and financial condition depend on the condition of the economy in Oman. Customers' ability to pay their obligations on time is significantly affected by GDP growth, which in turn is substantially dependent on the success of key sectors of the Omani economy. Although Oman has made efforts to develop its non-hydrocarbon economy, a significant portion of Government revenue is dominated by oil and gas, which are projected to contribute 63 per cent of total Government revenues in 2021 (Source: KPMG Oman Budget 2021). Hydrocarbon sector revenues accounted for approximately 34 per cent of nominal GDP in 2019 (Source: CBO Annual Report 2019). Any change in oil prices significantly affects macroeconomic and other aspects of the Omani economy, including, but not limited to, GDP, Government revenues and foreign trade.

Oil prices have fluctuated considerably in recent years. The average price for Omani crude oil was U.S.$51.3 per barrel in 2017, U.S.$69.7 per barrel in 2018 and U.S.$63.6 per barrel in 2019 (Source: CBO Annual Report 2019). The average price of the OPEC Reference Basket averaged U.S.$41.46 per barrel in 2020 compared to U.S.$64.06 a year before. The OPEC Reference Basket averaged U.S.$ 63.25 in April 2021. Oil prices remain volatile and may fall further in the near future (Source: OPEC data obtained on 21 May 2021).

Oil prices remain volatile and have the potential to adversely affect the economy of the GCC countries in the future which could in turn adversely affect the economy of Oman. If historically low crude oil prices are sustained for a significant period, this will be likely to have a significant adverse impact on Oman's economy, including government revenues and spending and the indirect impact on other sectors of the Omani economy, including banking, trade, construction, real estate and tourism sectors in particular. These effects could have a material adverse effect on the Bank's business, financial condition, results of operations, liquidity, prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities by:

- reducing the demand from its customers for financing and by adversely affecting the quality of its outstanding financing, thus potentially increasing its impairment losses and so reducing profitability; and/or

- causing certain large depositors of the Bank to withdraw their deposits (in whole or in part) to address their own liquidity needs, resulting in the Bank having to source alternative and potentially more expensive sources of funding.

Further, any reduction in Oman's revenues would reduce the likelihood and/or extent of government financial support being available to Omani banks, including the Bank, should such support be needed in the future and could result in a further downgrade or potential downgrade of Oman's sovereign rating which could, in turn, negatively impact the Bank's rating (see "*—A downgrade in the Bank's credit ratings could limit its ability to raise funding and may increase its cost of borrowing*").

In addition, any negative change in one or more macroeconomic factors, such as interest rates (which are influenced by U.S. interest rates given the fixed exchange rate between the Omani Rial and the U.S. dollar), inflation, wage levels, unemployment, foreign investment and international trade, could have a material adverse effect on the Bank's business, results of operations, financial condition and ability to make payments in respect of the Capital Securities.

The Bank's business, financial condition and results of operations may be materially affected by geo-political events in or affecting Oman

Although Oman enjoys domestic political stability and generally healthy international relations, as a country located in the MENA region, there is a risk that regional geopolitical instability could impact the country. The MENA region is currently experiencing an unprecedented level of political instability, and in recent years there has been significant political and social unrest in a number of countries in the MENA region, ranging from public demonstrations, sometimes violent, in countries such as Algeria, Bahrain, Egypt, Lebanon, Tunisia and Turkey, to armed conflict and even civil war in countries such as Iraq, Libya, Syria, Palestine and Yemen.

Other potential sources of instability in the region include the ongoing security situation in Iraq and Syria, the ongoing civil war in Yemen and an escalation in the Israeli-Palestinian conflict. There has also been an escalation of tension between Iran and a number of western governments following the United States' withdrawal from the Joint Comprehensive Plan of Action, including the attack on a number of oil tankers in the Strait of Hormuz, the seizure of foreign-flagged oil tankers, the assassination of Qassem Soleimani by the United States, the missile strike by Iran on United States military bases in Iraq, a decision by the United States' government to send troops to Saudi Arabia and the decision of Iran to resume uranium enrichment activities. There have also been terrorist attacks in the region, such as the attack on oil facilities in Abqaiq and Khurkis in Saudi Arabia on 14 September 2019 and on 23 November 2020, an explosion occurred as a result of a terrorist attack at a Saudi Aramco petroleum products distribution terminal in the north of Jeddah. A further deterioration, and possible conflict, between the United States and certain governments in the MENA region, such as Iran or Syria, has the potential to adversely affect regional security, as well as global oil and gas prices. Such a deterioration in relations, should it materialise, could adversely impact Oman and broader regional security, potentially including the outbreak of a regional conflict.

These developments, along with historic regional wars and terrorist acts, acts of maritime conflict and other forms of instability in the MENA region, could have an adverse effect on Oman's economy and its ability to engage in international trade which, in turn, could have a material adverse effect on the Bank's business, financial condition, results of operations, liquidity and prospects and thereby affect the Bank's ability to make payments in respect of the Capital Securities.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE RISKS ASSOCIATED WITH THE CAPITAL SECURITIES

The Capital Securities are subordinated and unsecured obligations of the Bank

Prospective investors should note that the payment obligations of the Bank under the Conditions rank junior to all Senior Obligations (as defined in the Conditions), rank *pari passu* with all 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 unsubordinated payment obligations of the Bank (including deposit holders of the Bank in respect of their due claims) and all subordinated payment obligations of the Bank to which the payment obligations under the Conditions rank or are expressed to rank junior, and *pari passu* with all subordinated payment obligations of the Bank which rank or are expressed to rank *pari passu* with the payment obligations under the Conditions.

Further, the payment obligations of the Bank under the Conditions are unsecured and no collateral is or will be given by the Bank in relation thereto.

A holder of the Capital Securities may exercise its enforcement rights in relation to the Capital Securities only in the manner provided in Condition 11 (*Events of Default*). If the Bank were wound up, liquidated or dissolved, the Bank's liquidator would apply the assets of the Bank to satisfy all claims of creditors in respect of Senior Obligations in priority to the claims of the holders of the Capital Securities 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 Capital Securities in full.

No limitation on issuing senior securities; subordination

Other than the limitations in relation to the issue of further Tier 1 Capital (as defined in the Conditions) by the Bank as set out in Condition 4.3 (*Other Issues*) which (subject to the limited exceptions set out therein) limits the circumstances in which Tier 1 Capital of the Bank can be issued that ranks senior to the payment obligations of the Bank under the Capital Securities, there is no restriction on the Bank incurring additional indebtedness or on issuing securities or creating any guarantee or contractual support arrangement which would rank *pari passu* with, or senior to, the Capital Securities. The issue of or the creation of any such Senior Obligations (as defined in the Conditions) may reduce the amount recoverable by holders of the Capital Securities on a winding-up of the Bank. Accordingly, in the winding-up of the Bank and after payment of the claims of creditors in respect of Senior Obligations, there may not be a sufficient amount to satisfy the amounts owing to the holders of the Capital Securities. See also "— *The Capital Securities are subordinated and unsecured obligations of the Bank*".

Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are non-cumulative

No Interest Payment Amounts are payable if either a Non-Payment Event (as defined below) or a Non-Payment Election occurs (as defined in the Conditions).

Pursuant to Condition 6.2 (*Non-Payment Election*), in the event of a Non-Payment Election, the Bank may, in its sole discretion, elect that an Interest Payment Amount shall not be paid to holders of the Capital Securities on the corresponding Interest Payment Date.

In each of the following events (each, a **Non-Payment Event**), Interest Payment Amounts shall not be paid on any Interest Payment Date:

(a) the Interest Payment Amounts payable, when aggregated with any distributions or amounts payable by the Bank on any Pari Passu Obligations (as defined in the Conditions), having the same dates in respect of payment of such distributions or amounts as, or otherwise due and payable on, the dates for payment of Interest Payment Amounts, exceed, on the relevant date for payment of such Interest Payment Amounts, the Bank's Distributable Items (as defined in the Conditions);

(b) the Bank is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (as defined in the Conditions) (including any payment restrictions due to a breach of capital buffers imposed on the Bank by the Regulator (as defined in the Conditions)) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof; or

(c) the Regulator requires that Interest Payment Amount due on that Interest Payment Date shall not be paid.

In the event of a Non-Payment Event or a Non-Payment Election, certain restrictions on declaration of dividends and payment of certain amounts otherwise payable under, or redemption of, certain securities by the Bank will take effect in accordance with Condition 6.4 (*Dividend and Redemption Restrictions*). However, the holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event and the consequential non-payment of any Interest Payment Amount in such a circumstance shall not constitute an Event of Default (as defined in the Conditions). The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid amount.

In such case, the holders of the Capital Securities will not receive Interest Payment Amounts on their investment in the Capital Securities and shall not have any claim in respect thereof. Any non-payment of Interest Payment Amounts or perceived risk of such non-payment may have a material adverse effect on the market value of the Capital Securities.

Perpetual Securities

The Capital Securities are perpetual securities which have no fixed or final redemption date. Holders of the Capital Securities have no ability to require the Bank to redeem their Capital Securities unless an Event of Default (as defined in the Conditions) occurs. The Bank has the option to redeem the Capital Securities in certain circumstances as more particularly described in Condition 9 (*Redemption and Variation*), although there is no assurance that it will do so.

This means that the holders of the Capital Securities have no ability to cash in their investment, and may be required to bear the financial risk of their investment indefinitely, except:

(a) if the Bank exercises its rights to redeem the Capital Securities in accordance with Condition 9 (*Redemption and Variation*);

(b) upon the occurrence of an Event of Default (subject to Condition 4.2 (*Subordination of the Capital Securities*)); or

(c) by selling their Capital Securities.

The exercise of (or perceived likelihood of exercise of) any such redemption feature of the Capital Securities may limit their market value, which is unlikely to rise substantially above the price at which the Capital Securities can be redeemed.

There can be no assurance that holders of the Capital Securities will be able to reinvest the amount received upon redemption or sale at a rate that will provide the same rate of return as their investment in the Capital Securities. See also "*Absence of secondary market/limited liquidity*" for a description of the risks relating to the ability of holders of the Capital Securities to sell the Capital Securities in the secondary market.

In addition, notwithstanding the provisions of Condition 11 (*Events of Default*), the right of any holder of the Capital Securities to institute winding-up proceedings following an Event of Default is limited to circumstances where payment has become due. In the case of any payment of interest in respect of the Capital Securities, such payment may be cancelled pursuant to Condition 6 (*Interest Restrictions*) and, if so cancelled will not be due on the relevant payment date and, in the case of payment of principal, such payment is subject to the conditions set out in Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) being met and, if these conditions are not met, will not be due on such payment date.

Basel regulatory framework as implemented in Oman may have an effect on the Capital Securities

The Basel Committee on Banking Supervision (the **Basel Committee**) has adopted a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued guidance on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (**Basel III**). The international implementation of the Basel III reforms began on 1 January

2013; however, the requirements are subject to a series of transitional arrangements that will be phased in over a period of time. The Basel Committee's press release dated 13 January 2011 entitled "*Minimum requirements to ensure loss absorbency at the point of non-viability*" (the **January 2011 Press Release**) included an additional qualification requirement for additional Tier 1 and Tier 2 capital instruments under Basel III.

This requirement (the **Non-Viability Requirement**) requires contractual or legislative provisions for the writing-off of the principal amount of additional Tier 1 instruments or the conversion of such additional Tier 1 instruments into ordinary shares upon the occurrence of the earlier of: (a) a decision that a write-off, without which the relevant bank would become non-viable, is necessary; and (b) the decision to make a public sector injection of capital, without which the relevant bank would become non-viable, in each case as determined by the relevant authority (a **Basel III Non-Viability Event**). This definition is for illustrative purposes only and may not necessarily reflect the meaning ascribed to the term "Basel III Non-Viability Event" (or any term equivalent thereto) pursuant to any law or regulation implementing Basel III in Oman.

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet the Non-Viability Requirement in order to be recognised as additional Tier 1 or Tier 2 instruments for regulatory capital purposes.

On 17 November 2013, the CBO published its guidelines on regulatory capital under Basel III through CBO Circular BM1114 (the **Guidelines**). The CBO has provided the Bank with a letter of no objection to the issuance of the Capital Securities as Tier 1 Capital in accordance with the Guidelines. To the extent that the relevant statutory and/or regulatory authorities in Oman introduce any amendments to the Guidelines, or introduce a statutory resolution regime to implement loss absorbency upon the occurrence of a Basel III Non-Viability Event, either through the writing-off of the principal amount of the instruments or the conversion of such instruments into ordinary shares, it is possible that such amendments or statutory regime, if applicable to the Capital Securities, could (i) supersede the write-down provisions contained in Condition 10 (*Write-down at the Point of Non-Viability*); or (ii) give rise to a Capital Event as a consequence of which the Capital Securities may be redeemed or varied pursuant to Condition 9.1(d) (*Redemption or Variation for Capital Event*)). The introduction (or anticipation) of any such amendments or new statutory resolution regime, could, therefore materially adversely affect the value of the Capital Securities. See "*—Variation upon the occurrence of a Capital Event or a Tax Event*" and "*—The Capital Securities may be subject to early redemption; redemption is conditional*" below.

The rights of the holders of the Capital Securities to receive repayment of the principal amount of the Capital Securities and the rights of the holders of the Capital Securities for any further interest may be written-down permanently upon the occurrence of a Non-Viability Event

If a Non-Viability Event occurs at any time, the Capital Securities 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 Capital Securities for payment of any amounts of principal and/or interest under or in respect of the Capital Securities (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 or written-down *pro rata* among the holders of the Capital Securities 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 is no longer continuing. A Write-down in full or in part of the Capital Securities could occur prior to the ordinary shares of the Bank absorbing losses in full or at all. A Write-down shall not constitute an Event of Default. As a result, holders of the Capital Securities may lose the entire amount or, as the case may be, a material amount of their investment in the Capital Securities.

In cases in which a Write-down in part is required by the Regulator, a Write-down may occur on one or more occasions as solely determined by the Regulator provided, however, that the principal amount of a Capital Security shall never be reduced to below nil.

Furthermore, upon the occurrence of any Write-down in part pursuant to Condition 10 (*Write-down at the Point of Non-Viability*), Interest Payment Amounts will accrue on the reduced principal amount of the Capital Securities and its payment is subject to a Non-Payment Event or a Non-Payment Election. See "*—Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are non-cumulative*".

The Conditions do not in any way impose restrictions on the Bank following a Write-down, including restrictions on making any distribution or equivalent payment in connection with any Junior Obligations (including, without limitation, any Ordinary Shares (as defined in the Conditions)) or any Pari Passu Obligations. Holders of the Capital Securities should also be aware that the application of a non-viability loss absorption feature as contained in Condition 10 (*Write-down at the Point of Non-Viability*) has not been tested in Oman.

The circumstances triggering a Write-down are unpredictable

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

Investors should also be aware that the application of a non-viability loss absorption feature similar to Condition 10 (*Write-down at the Point of Non-Viability*) has not been tested in Oman and therefore some degree of uncertainty exists in its application. The exercise (or perceived likelihood of exercise) of any such power by the Regulator or any suggestion of such exercise could materially adversely affect the value of the Capital Securities and could lead to holders losing some or all of their investment in the Capital Securities.

The financial viability of the Bank will also depend in part on decisions made by the Bank in relation to its business and operations, including the management of its capital position. In making such decisions, the Bank will not necessarily have regard to the interests of the holders of the Capital Securities and, in particular, the consequences for the holders of the Capital Securities of any such decisions and there can be no assurance in any such circumstances that the interests of the Bank, its shareholders and the Regulator will be aligned with those of the holders of the Capital Securities.

The Conditions contain limited Events of Default and remedies

The Events of Default in the Conditions are limited to: (a) a payment default by the Bank for a period of seven days in the case of any principal and 14 days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event or the Bank making a Non-Payment Election); (b) a final determination is made by a court or other official body that the Bank is insolvent or bankrupt or unable to pay its debts; (c) an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Bank or the Bank shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital Securities; 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 (d) any event occurs which under the laws of Oman has an analogous effect to those described in (b) and (c) above.

Moreover, pursuant to Condition 11 (*Events of Default*), upon the occurrence of an Event of Default, limited remedies are available to a holder of the Capital Securities. A holder of the Capital Securities may give notice to the Bank (at the specified office of the Fiscal Agent) that the Capital Securities are due and payable at the Early Redemption Amount and thereafter, to the extent permitted by applicable law and by the Conditions, any holder of the Capital Securities 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.

Furthermore, pursuant to Condition 4.2 (*Subordination of the Capital Securities*), claims in respect of Senior Obligations of the Bank would first have to be satisfied in any winding-up or liquidation before holders of the Capital Securities may expect to obtain any amounts in respect of the Capital Securities and, prior thereto, holders of the Capital Securities may only have limited (if any) ability to influence the conduct of such winding-up or liquidation. If an Event of Default occurs and a bankruptcy order in respect of the Bank has been issued by a court in Oman, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished, and the Capital Securities will be cancelled without any further payment to be made by the Bank under the Capital Securities.

Variation upon the occurrence of a Capital Event or a Tax Event

Upon the occurrence and continuation of a Capital Event or a Tax Event, the Bank may, subject as provided in Condition 9.1(c) (*Redemption or Variation due to Taxation*) or 9.1(d) (*Redemption or Variation for Capital Event*) (as the case may be) and without the need for any consent or approval of the holders of the Capital Securities, either redeem or vary the terms of the Capital Securities such that they become or remain (as appropriate) Qualifying Tier 1 Instruments (as defined in the Conditions).

A Capital Event will arise if the Bank is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Capital Securities are held by the Bank or whose purchase is funded by the Bank) of the Capital Securities would cease to qualify, in full or in part, for inclusion in the consolidated Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital).

A Tax Event will arise if the Bank, on the occasion of the next payment due under the Capital Securities, has or will become required to pay Additional Amounts (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 the 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).

The tax and stamp duty consequences of holding the Capital Securities following variation as contemplated in Condition 9.1 (*Redemption and Variation*) could be different for certain holders of the Capital Securities from the tax and stamp duty consequences for them of holding the Capital Securities prior to such variation and the Bank shall not be responsible to any holder of the Capital Securities for any such consequences in connection therewith. Further, while the Conditions stipulate that the variation (as contemplated by the Conditions) must not be materially less favourable to the holders of the Capital Securities, no assurance can be given as to whether any of these changes will negatively affect any particular holder of the Capital Securities.

The Capital Securities may be subject to early redemption; redemption is conditional

Upon the occurrence of a Tax Event or a Capital Event, or at its option on the First Call Date or any Interest Payment Date after the First Call Date, the Bank may, at any time, having given not less than 15 nor more than 30 days' prior notice to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable) redeem in accordance with the Conditions, all, but not some only, of the Capital Securities together with any due and payable but unpaid Interest Payment Amounts (as more particularly described in Condition 9.1(c) (*Redemption or Variation due to Taxation*) in relation to a Tax Event, Condition 9.1(d) (*Redemption or Variation for Capital Event*) in relation to a Capital Event) and Condition 9.1(b) (*Bank's Call Option*) in relation to the Bank's call option.

Any redemption of the Capital Securities is subject to the requirements in Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), including obtaining the prior written consent of the Regulator. There can be no guarantee that the consent of the Regulator will be received on time or at all.

In addition, if the Bank has elected to redeem the Capital Securities, and, prior to the redemption, a Non-Viability Event occurs, the relevant redemption notice will be automatically rescinded and will be of no force and effect. Further, no notice of redemption shall be given in the period following the giving of a Non-Viability Notice and prior to the relevant Non-Viability Event Write-down Date.

There is no assurance that the holders of the Capital Securities will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities. During any period when the Bank may redeem the Capital Securities, the market value of the Capital Securities generally will not rise substantially above the Tax Redemption Amount, the Capital Event Redemption Amount or the Early Redemption Amount (each as defined in the Conditions) payable, as the case may be. Potential investors should consider the re-investment risk in light of other investments available at that time.

The exercise (or perceived likelihood of exercise) of the redemption features of the Capital Securities may limit their market value.

Modification

The Conditions contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) of holders of the Capital Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Capital Securities including holders of the Capital Securities who did not attend and vote at the relevant meeting and holders of the Capital Securities who voted in a manner contrary to the majority.

The Conditions also provide that the Fiscal Agent and the Bank may agree, without the consent of holders of the Capital Securities, to any modification of any Capital Securities, in the circumstances specified in Condition 17 (*Meetings of Holders of the Capital Securities and Modification*).

The Conditions also provide that the Bank may, without the consent or approval of the holders and without regard to the interests of particular holders of the Capital Securities, vary the Conditions so that they remain or, as appropriate, become, Qualifying Tier 1 Instruments, as provided in Condition 9.1(c) (*Redemption or Variation due to Taxation*) and Condition 9.1(d) (*Redemption or Variation for Capital Event*). See "*—Variation upon the occurrence of a Capital Event or a Tax Event*" above.

Trading in the clearing systems

As the Capital Securities have a denomination consisting of the minimum Authorised Denomination (as defined in the Conditions), plus one or more higher integral multiples of another smaller amount, it is possible that such Capital Securities may be traded in amounts that are not integral multiples of such minimum Authorised Denomination. In such a case a holder of Capital Securities who, as a result of trading such amounts, holds an amount which is less than the minimum Authorised Denomination in his account with the relevant clearing system at the relevant time may not receive an Individual Certificate in respect of such holding (should Individual Certificates be printed) and would need to purchase a principal amount of Capital Securities such that its holding amounts to at least an Authorised Denomination in order to be eligible to receive an Individual Certificate.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of the minimum Authorised Denomination may be illiquid and difficult to trade.

Investors in the Capital Securities must rely on Euroclear and Clearstream, Luxembourg procedures

The Capital Securities will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (together, the **ICSDs**). Except in the limited circumstances described in the Global Certificate, investors will not be entitled to receive Individual Certificates. The ICSDs and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Capital Securities are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the ICSDs and their respective participants. While Capital Securities are represented by a Global Certificate, the Bank will discharge its payment obligation under such Capital Security by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the relevant Capital Securities. The Bank shall have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate.

Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Capital Securities so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Risks related to the market generally

Resettable fixed rate instruments have a market risk

A holder of an instrument with a fixed interest rate that will be reset during the term of the instrument (as will be the case for the Capital Securities with effect from each Reset Date if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating interest rates and uncertain interest income. While the expected interest rate on the Capital Securities is fixed until the First Call Date (with a reset of the initial interest rate on the First Call Date as set out in the Conditions and every five years thereafter if the Capital Securities are not redeemed prior thereto), the current investment return rate in the capital markets (the **market return rate**) typically changes on a daily basis. As the market return rate changes, the market value of the Capital Securities may also change, but in the opposite direction. If the market return rate increases, the market value of the Capital Securities would typically decrease. If the market return rate falls, the market value of the Capital Securities would typically increase. Holders of the Capital Securities should be aware that movements in these market return rates can adversely affect the market value of the Capital Securities and can lead to losses for the holders of the Capital Securities if they sell the Capital Securities.

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Capital Securities will develop or, if it does develop, that it will provide the holders of the Capital Securities with liquidity of investment or that it will continue for the life of the Capital Securities. The Capital Securities generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities as they are perpetual securities (see "—*Perpetual Securities*"), are subordinated (see "—*The Capital Securities are subordinated and unsecured obligations of the Bank*") and payments of Interest Payment Amounts may be restricted in certain circumstances and may be permanently cancelled (see "—*Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are non-cumulative*").

Application has been made to the London Stock Exchange for the Capital Securities to be admitted to trading on the ISM. However, there can be no assurance that any such admission to trading will occur or will enhance the liquidity of the Capital Securities.

Illiquidity may have an adverse effect on the market value of the Capital Securities. Accordingly, a holder of the Capital Securities may not be able to find a buyer to buy its Capital Securities readily or at prices that will enable the holder of the Capital Securities to realise a desired yield. The market value of the Capital Securities may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Capital Securities. Accordingly, the purchase of Capital Securities is suitable only for investors who can bear the risks associated with a lack of liquidity in the Capital Securities and the financial and other risks associated with an investment in the Capital Securities.

Exchange rate risks and exchange controls

The Bank will pay principal and interest (if applicable) on the Capital Securities in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (a) the Investor's Currency-equivalent yield on the Capital Securities; (b) the Investor's Currency-equivalent value of the principal payable on the Capital Securities; and (c) the Investor's Currency-equivalent market value of the Capital Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Taxation risks on payments

Payments made by the Bank in respect of the Capital Securities could become subject to taxation. Condition 12 (*Taxation*) requires the Bank to pay additional amounts in certain circumstances in the event that any withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature is withheld or assessed by or on behalf of Oman or any authority therein or thereof having power to tax in respect of payments under the Capital Securities, such that net amounts received by the holders of the Capital Securities after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Capital Securities in the absence of such withholding or deduction.

The circumstances described above may entitle the Bank to redeem all (but not some only) of the Capital Securities or vary their terms. See "*Variation upon the occurrence of a Capital Event or a Tax Event*" and "*The Capital Securities may be subject to early redemption; redemption is conditional*".

Credit ratings assigned to the Issuer or the Capital Securities may not reflect all the risks associated with an investment in the Capital Securities

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Capital Securities. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Capital Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third-country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Capital Securities changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Capital Securities may have a different regulatory treatment, which may impact the value of the Capital Securities and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

Enforcement under Omani Law

Choice of law

If any proceedings were brought in Oman in relation to the Capital Securities (whether in connection with the enforcement of an English judgment or otherwise), pursuant to the Civil Transactions Law of Oman (SD 29/2013) (the **Civil Code**), the Omani court would recognise and give effect to the choice of English law as the governing law of the Capital Securities, unless any provision of English law was considered to be contrary to a mandatory provision of law, public order or morality of Oman or Islamic *Shariah* principles.

Enforcing foreign arbitral awards in Oman

Foreign arbitration awards may be enforced in Oman pursuant to: (a) treaty obligations; (b) the Law of Civil and Commercial Procedures (SD 29/2002, as amended) (the **Law of Civil and Commercial Procedures**); or (c) the Law of Arbitration (SD 47/1997, as amended) (the **Law of Arbitration**). Oman has acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (SD 36/1998) (the **Convention**), and ratified the Riyadh Arab Convention of 1983 (SD 34/1999). In accordance with the Law of Civil and Commercial Procedures, the Omani courts possess an inherent jurisdiction to enforce foreign awards. Arbitral awards are assimilated to judgments, and their enforceability in Oman depends on the court being satisfied that the following conditions are satisfied (reading "judgment" as "award"): (a) that the foreign judgment was given by a competent arbitration in accordance with the law of the country the judgment was given in; (b) that the parties to the action in which the foreign judgment was rendered were summoned to appear and were validly represented; and (c) that the judgment or order contained nothing involving a violation of any law in force in Oman, and that it does not conflict with a judgment or order previously rendered by a court in Oman, and includes nothing which offends morals or public order. The Law of Civil and Commercial Procedures also requires that the matter in which the award is rendered is competent to be arbitrated under Omani law and that the award is enforceable in the country in which it is issued. Enforcement of foreign arbitral awards in Oman is also directly available under the provisions of the Law of Arbitration, where the award in question has been rendered: (a) in Oman; or (b) in an international commercial arbitration (for example, an arbitration under London Court of International Arbitration (**LCIA**) or International Chamber of Commerce (ICC) rules) in which parties have specified that the Law of Arbitration shall apply.

However, although Oman is a party to the Convention, the Bank is aware of only one case which has come before the courts of Oman where a claimant has sought to enforce a foreign arbitral award issued by a contracting state. The Bank has no reason to believe that the courts of Oman would not enforce such an arbitral award (without the need to re-examine or re-litigate), subject only to no valid argument being put forward that the enforcement of that arbitral award should be refused on one or more of the grounds set out in Article V of the Convention or such matter is against public order or morality in Oman. It should be noted, however, that there is no doctrine of binding precedent under Omani law, although decisions of the Supreme Court of Oman should be persuasive.

No binding precedent

There is no established system of precedent that would be binding on the courts in Oman. If it was sought to enforce the Capital Securities before the courts in Oman, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Capital Securities would be interpreted and applied by those courts and whether all of the provisions of the Capital Securities would be enforceable.

Regulation of interest rates under Omani Law

The CBO and the MOCI each have the power to regulate interest rates in Oman. Ministerial Decision 210/2020 (Determining Return in Exchange of Procurement of Loan or Commercial Debt), which is issued pursuant to Article 80 of the Oman Commercial Law (Royal Decree 55/99)) (the **Ministerial Decision**), specifies that the maximum rate of "return" that a creditor has the right to receive on a financing or commercial debt is 6 per cent. Whilst it is the Bank's understanding that the MOCI have verbally confirmed that the Ministerial Decision is not intended to regulate instruments such as the Capital Securities, the matter has not been considered before the Omani courts. The Bank has received a non-objection letter from MOCIIP granting an exemption to the application of the cap of 6 per cent. in respect of the Capital Securities.

There may be a possibility that the Oman courts, pursuant to the Civil Transactions Law, decide not to enforce provisions of a contract governed by foreign law or a judgment from a foreign court or arbitral award in relation to such provisions which are deemed contrary to Islamic *Shari'a* principles, such as the charging of interest, even if it is permitted by the chosen governing foreign law, although this is at odds with the current practice of the courts in Oman which regularly enforce contracts charging interest and the fact that the charging of interest is expressly permitted under Omani law.

In addition to the regulations of the MOCI and the CBO, Omani courts will not enforce interest claims in excess of what the courts of Oman consider just and reasonable. Accordingly, no assurance can be given as regards the enforceability of interest in excess of such amounts to the extent that the matter fell to be considered by Omani courts.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published shall be incorporated in, and form part of, this Offering Circular:

(a) the unaudited condensed interim financial statements of the Bank for the three months ended 31 March 2021 (an electronic copy of which is available at http://www.oman-arabbank.com/wp-content/uploads/Financial_Statements_Q1-2021-1.pdf);

(b) the consolidated financial statements for the year ended 31 December 2020 of the Bank together with the audit report thereon (an electronic copy of which is available at http://www.oman-arabbank.com/wp-content/uploads/Financial_Statements_2020.pdf); and

(c) the consolidated financial statements for the year ended 31 December 2019 of the Bank together with the audit report thereon (an electronic copy of which is available at http://www.oman-arabbank.com/wp-content/uploads/Financial_Statements_2019.pdf).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

OVERVIEW OF THE ISSUANCE

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular. Any decision to invest in the Capital Securities should be based on a consideration of this Offering Circular as a whole.

Words and expressions defined in "*Terms and Conditions of the Capital Securities*" shall have the same meanings in the following description.

Bank:	Oman Arab Bank SAOG
Bank Legal Entity Identifier (**LEI**):	254900P5EQ20DLW75N30
Description:	U.S.$250,000,000 Perpetual Tier 1 Capital Securities
Joint Lead Managers:	Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, Kamco Investment Company K.S.C.P., Standard Chartered Bank and Ubhar Capital SAOC
Fiscal Agent and Calculation Agent:	Citibank N.A., London Branch
Registrar:	Citigroup Global Markets Europe AG
Transfer Agent:	Citibank Europe plc
Issue Date:	4 June 2021
Issue Price:	100 per cent.
Interest Payment Dates:	4 June and 4 December in every year, commencing on 4 December 2021, subject to Condition 6 (*Interest Restrictions*)
Interest Payment Amounts:	Subject to Condition 6 (*Interest Restrictions*), the Capital Securities shall bear interest semi-annually in arrear from (and including) the Issue Date. The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.$38.125 per U.S.$1,000 in outstanding principal amount of the Capital Securities and shall be payable out of Distributable Items. The Interest Rate will be reset on each Reset Date on the basis of the aggregate of a margin of 6.807 per cent. per annum and the Relevant 5 Year Reset Rate on the relevant Determination Date, as determined by the Calculation Agent (see Condition 5 (*Interest*)). If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Bank shall not pay the corresponding Interest Payment Amounts on the relevant Interest Payment Date and the Bank shall not have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 6 (*Interest Restrictions*). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of

the Capital Securities will have no right to receive such interest at any time, even if interest is paid in the future.

Form of Capital Securities:	The Capital Securities will be issued in registered form. The Capital Securities will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Individual Certificates evidencing holding of Capital Securities will be issued in exchange for interests in the Global Certificate only in limited circumstances.
Clearance and Settlement:	Holders of the Capital Securities must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.
Denomination:	The Capital Securities will be issued in registered form in principal amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Status of the Capital Securities:	The payment obligations of the Bank under the Capital Securities will: (a) constitute Tier 1 Capital of the Bank; (b) constitute direct, unsecured, unconditional and subordinated obligations of the Bank that rank *pari passu* amongst themselves; (c) rank junior to all Senior Obligations; (d) rank *pari passu* with all Pari Passu Obligations; and (e) rank in priority only to all Junior Obligations (each as defined below). **Junior Obligations** means all claims of the holders of Ordinary Shares and all payment obligations of the Bank in respect of its Other Common Equity Tier 1 Instruments and any other subordinated payment obligations of the Bank that rank, or are expressed to rank, junior to the Capital Securities; **Pari Passu Obligations** means all subordinated payment obligations of the Bank under the Existing Tier 1 Capital Securities and all other subordinated payment obligations of the Bank which rank, or are expressed to rank, *pari passu* with the Obligations; and **Senior Obligations** means all unsubordinated payment obligations of the Bank (including deposit holders) and all subordinated payment obligations (if any) of the Bank to which the Obligations rank, or are expressed to rank, junior.
Redemption and Variation:	The Capital Securities are perpetual securities in respect of which there is no fixed or final redemption date. The Capital Securities 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 of Condition 9 (*Redemption and Variation*).

Pursuant to Condition 9.1(b) (*Bank's Call Option*), the Bank may, on (i) the First Call Date or (ii) any Interest Payment Date after the First Call Date, redeem all, but not some only, of the Capital Securities at the Early Redemption Amount.

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

In addition (on any date on or after the Issue Date, whether or not an Interest Payment Date), upon the occurrence of a Tax Event or a Capital Event, all but not some only, of the Capital Securities may be redeemed or the terms of the Capital Securities may be varied, in each case in accordance with Conditions 9.1(c) (*Redemption or Variation due to Taxation*) and 9.1(d) (*Redemption or Variation for Capital Event*).

Any redemption of the Capital Securities is subject to the conditions described in Condition 9.1 (*Redemption and Variation*).

Non-Viability Event: If a Non-Viability Event occurs, a Write-down shall occur, in whole or in part, as applicable, on the relevant Non-Viability Event Write-down Date, as more particularly described in Condition 10 (*Write-down at the Point of Non-Viability*). In such circumstances, the rights of the holders of the Capital Securities to payment of any amounts under or in respect of the Capital Securities shall, as the case may be, be cancelled or written-down permanently *pro rata* among the holders of the Capital Securities. See "*Risk Factors – The rights of the holders of the Capital Securities to receive repayment of the principal amount of the Capital Securities and the rights of the holders of the Capital Securities for any further interest may be written-down permanently upon the occurrence of a Non-Viability Event*".

Events of Default: Upon the occurrence of an Event of Default, any holder of the Capital Securities may give written notice to the Bank at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 9.1 (*Redemption and Variation*), become forthwith due and payable at its Early Redemption Amount, 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.

Withholding Tax: All payments in respect of the Capital Securities will be made without deduction for or on account of withholding taxes imposed by Oman, subject as provided in Condition 12 (*Taxation*). In the event that any such deduction is made, the Bank will, save in certain limited circumstances provided in Condition 12 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

Ratings:	The Bank has been issued a long term bank deposits foreign currency rating of Ba3 (negative) and a short term bank deposits foreign currency rating of NP by Moody's. The Bank has also been issued a long-term foreign currency deposit rating of BB (with a negative outlook), short-term foreign currency deposit rating of B (with a negative outlook) and a bank standalone rating of bb (with a negative outlook) from Capital Intelligence. The Capital Securities will not be rated by any rating organisation upon their issue. A 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.
Admission to Trading:	Application has been made to the London Stock Exchange for the Capital Securities to be admitted to trading on the ISM.
Governing Law:	The Capital Securities (except for Condition 4.2 (*Subordination of the Capital Securities*)) and any non-contractual obligations arising out of or in connection with the Capital Securities will be governed by, and shall be construed in accordance with, English law. Condition 4.2 (*Subordination of the Capital Securities*) will be governed by, and shall be construed in accordance with, the laws of Oman. The Agency Agreement and any non-contractual obligations arising out of, relating to or having any connection with the Agency Agreement will be governed by, and shall be construed in accordance with, English law. In respect of any dispute, claim, difference or controversy under the Capital Securities or the Agency Agreement, to which it is a party, the Bank has consented to arbitration in accordance with the LCIA Arbitration Rules.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Capital Securities in the United States (Regulation S, Category 2), the EEA, the United Kingdom, Japan, Hong Kong, Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), Oman and the Kingdom of Saudi Arabia and such other restrictions as may be required in connection with the offering and sale of the Capital Securities (see "*Subscription and Sale*").

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following are the Terms and Conditions of the Capital Securities which (save for the text in italics) will be incorporated by reference into the Global Certificate (as defined below) and endorsed on each Individual Certificate issued in respect of the Capital Securities:

Each of the U.S.$250,000,000 Perpetual Tier 1 Capital Securities, and any further capital securities issued pursuant to Condition 16 (*Further Issues*), (the **Capital Securities**) is issued by Oman Arab Bank SAOG in its capacity as issuer (the **Bank**) pursuant to the Agency Agreement (as defined below).

Payments relating to the Capital Securities will be made pursuant to an agency agreement dated the Issue Date (the **Agency Agreement**) made between the Bank, Citibank N.A., London Branch with its specified office at Agency and Trust Services, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom as fiscal agent and principal paying agent (in such capacity, the **Fiscal Agent** and together with any further or other paying agents appointed from time to time in respect of the Capital Securities, the **Paying Agents**), Citigroup Global Markets Europe AG with its specified office at Reuterweg 16, 60323 Frankfurt, Federal Republic of Germany as registrar (in such capacity, the **Registrar**) Citibank Europe plc with its registered office at 1 North Wall Quay, Dublin 1, Ireland as transfer agent (in such capacity, the **Transfer Agent** and, together with the Registrar and any further or other transfer agents appointed from time to time in respect of the Capital Securities, the **Transfer Agents**) and Citibank N.A., London Branch with its specified office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom as calculation agent (the **Calculation Agent**, which expression includes the Calculation Agent for the time being). The Paying Agents, the Calculation Agent and the Transfer Agents are together referred to in these terms and conditions (the **Conditions**) as the **Agents**. References to the Agents or any of them shall include their successors.

Any reference to **holders** in relation to any Capital Securities shall mean the persons in whose name the Capital Securities are registered and shall, in relation to any Capital Securities represented by a Global Certificate, be construed as provided below.

Copies of the Agency Agreement are obtainable during normal business hours at the specified office of the Agents. The holders of the Capital Securities are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

1. INTERPRETATION

Words and expressions defined in the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between any such document and these Conditions, these Conditions will prevail. In addition, in these Conditions the following expressions have the following meanings:

Additional Amounts has the meaning given to it in Condition 12 (*Taxation*);

Applicable Regulatory Capital Requirements means any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Bank, including transitional rules and waivers granted in respect of the foregoing;

Authorised Denomination has the meaning given it in Condition 2.1 (*Form and Denomination*);

Authorised Signatories means the persons listed from time to time on the Bank's commercial registration certificate registered with the Ministry of Commerce and Industry in Oman;

Basel Committee means the Basel Committee on Banking Supervision;

Basel III means the reforms to the international regulatory capital framework issued by the Basel Committee as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for international credit institutions (including guidance on the eligibility criteria for tier 1 capital instruments and tier 2 capital instruments);

Basel III Documents means the Basel Committee on Banking Supervision document "A global regulatory framework for more resilient banks and banking systems" released by the Basel Committee on 16 December 2010 and revised in June 2011 and the Annex contained in its document "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" released by the Basel Committee on 13 January 2011 each as revised, amended or supplemented from time to time;

Business Day means a day, other than a Friday, Saturday, Sunday or public holiday, on which registered banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City, London and Muscat;

Call Date has the meaning given to it in Condition 9.1(b) (*Bank's Call Option*);

Capital Event is deemed to have occurred if the Bank is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Capital Securities are held by the Bank or whose purchase is funded by the Bank) of the Capital Securities would cease to qualify, in full, for inclusion in the consolidated Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital);

Capital Event Redemption Amount in relation to a Capital Security means 101 per cent. of its outstanding principal amount together with any Outstanding Payments;

Capital Regulations means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Oman, including those of the Regulator (which shall include, without limitation, the CBO's CP-1 Guidelines on Regulatory capital under Basel III issued via the CBO circular BM1114 dated 17 November 2013);

CBO means the Central Bank of Oman;

Clearstream, Luxembourg has the meaning given to it in Condition 2.1 (*Form and Denomination*);

Code has the meaning given to it in Condition 7.1 (*Payments in respect of Individual Certificates*);

Common Equity Tier 1 Capital means capital qualifying as, and approved by the Regulator as, common equity tier 1 capital in accordance with the Capital Regulations and, as common equity tier 1 capital as implemented in the Applicable Regulatory Capital Requirements at such time;

Day-count Fraction means the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Interest Period in which the relevant period falls (including the first such day but excluding the last));

Designated Account has the meaning given to it in Condition 7.1 (*Payments in respect of Individual Certificates*);

Designated Bank has the meaning given to it in Condition 7.1 (*Payments in respect of Individual Certificates*);

Determination Date means, in respect of a Reset Period, the third Business Day prior to the commencement of such Reset Period;

Directors means the executive and non-executive directors of the Bank who make up its board of directors;

Dispute has the meaning given to it in Condition 19.2 (*Arbitration*);

Distributable Items means the Bank's accumulated and realised profits (to the extent not previously distributed or capitalised), less accumulated losses, all as set out in the most recent audited or (as the case may be) auditor reviewed financial statements of the Bank as approved by the CBO;

Dividend Stopper Date has the meaning given to it in Condition 6.4 (*Dividend and Redemption Restrictions*);

Early Redemption Amount means, in relation to a Capital Security, its outstanding principal amount together with any Outstanding Payments;

Euroclear has the meaning given to it in Condition 2.1 (*Form and Denomination*);

Event of Default means:

(a) ***Non-payment:*** the Bank fails to pay an amount in the nature of principal or interest due and payable by it pursuant to the Conditions and the failure continues for a period of seven days in the case of principal and 14 days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event or the Bank making a Non-Payment Election); or

(b) ***Insolvency:*** a final determination is made by a court or other official body that the Bank is insolvent or bankrupt or unable to pay its debts; or

(c) ***Winding-up:*** an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Bank or the Bank shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital Securities; 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

(d) ***Analogous Event:*** 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.

References in subparagraph (b) (*Insolvency*) above to **debts** shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari'a* and which is treated as debt for the purposes of applicable law, in each case whether entered into directly or indirectly by the Bank;

Extraordinary Resolution has the meaning given to it in the Agency Agreement;

First Call Date means 4 June 2026;

First Interest Payment Date means 4 December 2021;

Global Certificate means the global registered certificate;

H.15 (519) means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System and **most recent H.15 (519)** means the H.15 (519) published closest in time but prior to the applicable U.S. Government Securities Determination Date. H.15 (519) may be currently obtained at the following website: https://www.federalreserve.gov/releases/h15/;

Individual Certificate means a registered certificate in definitive form;

Initial Interest Rate has the meaning given to it in Condition 5.1 (*Interest Payments*);

Initial Margin has the meaning given to it in Condition 5.1 (*Interest Payments*);

Initial Period means the period from and including the Issue Date, to but excluding the First Call Date;

Interest Payment Amount means the amount of interest payable, subject to Condition 6 (*Interest Restrictions*) and Condition 7 (*Payments*), on each Interest Payment Date;

Interest Payment Date means each 4 June and 4 December in each year, starting on (and including) 4 December 2021;

Interest Period means the period from and including the Issue Date to, but excluding, the First Interest Payment Date, and each successive period from and including an Interest Payment Date to but excluding the next Interest Payment Date;

Interest Rate means, in respect of the Initial Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the Reset Interest Rate;

Issue Date means 4 June 2021;

Junior Obligations means all claims of the holders of Ordinary Shares and all payment obligations of the Bank in respect of its Other Common Equity Tier 1 Instruments and any other subordinated payment obligations of the Bank that rank, or are expressed to rank, junior to the Capital Securities;

LCIA means the London Court of International Arbitration;

Non-Payment Election has the meaning given to it in Condition 6.2 (*Non-Payment Election*);

Non-Payment Event has the meaning given to it in Condition 6.1 (*Non-Payment Event*);

Non-Viability Event means that:

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

(b) a decision is taken to make a public sector injection of capital (or equivalent support) without which the Bank is, or will become, Non-Viable,

whichever is earlier;

Non-Viability Event Write-down Date shall be the date on which the Write-down will take place as specified in the Non-Viability Notice, which date shall be no later than 10 Business Days (or such earlier date as determined by the Regulator) after the date of the Non-Viability Notice;

Non-Viability Notice has the meaning given to it in Condition 10 (*Write-down at the Point of Non-Viability*);

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

Obligations has the meaning given to it in Condition 4.2 (*Subordination of the Capital Securities*);

Oman means the Sultanate of Oman;

Ordinary Shares means ordinary shares of the Bank;

Other Common Equity Tier 1 Instruments means securities issued by the Bank that constitute Common Equity Tier 1 Capital of the Bank other than Ordinary Shares;

Outstanding Payments means, in relation to any amounts payable on redemption of the Capital Securities, an amount representing any due and payable but unpaid interest for the Interest Period during which redemption occurs to the date of redemption. For the avoidance of doubt, the obligation to pay Outstanding Payments is without prejudice to the Bank's right to elect not to pay earlier Interest Payment Amounts or to the non-payment of such amounts as a result of a Non-Payment Event having occurred;

Pari Passu Obligations means all subordinated payment obligations of the Bank which rank, or are expressed to rank, *pari passu* with the Obligations;

Payment Day has the meaning given to it in Condition 7.3 (*Payment Day*);

Qualifying Tier 1 Instruments means 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:

(a) will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 1 Capital;

(b) have terms and conditions not materially less favourable to a holder of the Capital Securities than the Capital Securities (as reasonably determined by the Bank (**provided that** in making this determination the Bank is not required to take into account the tax treatment of the new instrument in the hands of all or any holders of the Capital

Securities, or any transfer or similar taxes that may apply on the acquisition of the new instrument) **provided that** a certification to such effect of two Directors shall have been delivered to the Fiscal Agent prior to the variation of the terms of the Conditions);

(c) continue to be obligations of the Bank, directly or indirectly or by a guarantee or equivalent support undertaking by the Bank;

(d) rank on a winding up at least *pari passu* with the Obligations;

(e) have the same outstanding principal amount and interest payment dates as the Capital Securities and at least equal interest or distribution rate or rate of return as the Capital Securities;

(f) (where the instruments are varied prior to the First Call Date) have the same first call date as the Capital Securities;

(g) have the same optional redemption dates as the Capital Securities; and

(h) if, immediately prior to the variation of the terms of the Capital Securities in accordance with Condition 9.1(c) (*Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption or Variation for Capital Event*) (i) the Capital Securities were listed or admitted to trading on a Regulated Market, have been listed or admitted to trading on a Regulated Market; or (ii) the Capital Securities were listed or admitted to trading on a recognised stock exchange other than a Regulated Market, have been listed or admitted to trading on any recognised stock exchange (including, without limitation, a Regulated Market), in each case as selected by the Bank,

and which may include such technical changes as necessary to reflect the requirements of Tier 1 Capital under the Capital Regulations then applicable to the Bank (including, without limitation, such technical changes as may be required in connection with, or as a result of the adoption or implementation in Oman of the Basel III Documents);

Record Date means in the case of the payment of interest, the date falling on the 15th day (whether or not such 15th day is a business day) before the relevant Interest Payment Date and, in the case of the payment of a Redemption Amount, the date falling two Payment Days before the date for payment of the relevant Redemption Amount (as the case may be);

Redemption Amount means the Early Redemption Amount, the Tax Redemption Amount or the Capital Event Redemption Amount (as the case may be);

Register has the meaning given to it in Condition 2.1 (*Form and Denomination*);

Regulated Market means a regulated market for the purposes of Directive 2014/65/EU, as amended;

Regulator means the CBO or any successor entity having primary bank supervisory authority with respect to the Bank in Oman;

Relevant Date means the date on which the payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent on or prior to the due date, Relevant Date means the date on which, the full amount of the moneys having been so received, notice to that effect is duly given to holders of the Capital Securities in accordance with Condition 15 (*Notices*);

Relevant Five Year Reset Rate means, in respect of each Reset Period: (a) a rate (expressed as a decimal and, in the case of U.S. Treasury bills, converted to a bond equivalent yield) determined on the relevant U.S. Securities Determination Date to be the per annum rate equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of five years and trading in the public securities markets; or (b) if there is no such published U.S. Treasury security with a maturity of five years and trading in the public securities markets, then the rate will be determined on the relevant U.S. Securities Determination Date by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market: (i) one maturing as close as possible to, but earlier than, the immediately following Reset Date; and (ii) the other maturity as close as possible to, but later than the immediately following Reset Date, in each case as published in the most recent H.15 (519). If the Bank cannot procure the determination of the Relevant Five Year Reset Rate on the relevant Determination Date pursuant to the methods described in (a) and (b) above, then the Relevant Five Year Reset Rate will be: (A) equal to the rate applicable to the immediately preceding Reset Period; or (B) in the case of the Reset Period commencing on the First Call Date, 0.818 per cent.;

Replacement Agent means the Registrar and the Transfer Agents;

Reset Date means the First Call Date and every fifth anniversary thereafter;

Reset Interest Rate means, in respect of any Reset Period, the rate per annum which is determined by the Calculation Agent to be the aggregate of the Initial Margin and the Relevant Five Year Reset Rate;

Reset Period means the period from and including the First Call Date to, but excluding, the following Reset Date, and each successive period thereafter from and including such Reset Date to the next succeeding Reset Date;

Rules has the meaning given to it in Condition 19.2 (*Arbitration*);

Senior Obligations means all unsubordinated payment obligations of the Bank (including deposit holders) and all subordinated payment obligations (if any) of the Bank to which the Obligations rank, or are expressed to rank, junior;

Tax Event means on the occasion of the next payment due under the Capital Securities, the Bank has or will become obliged to pay Additional Amounts (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, the 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);

Tax Redemption Amount in relation to a Capital Security, means its outstanding principal amount together with any Outstanding Payments;

Tier 1 Capital means capital qualifying as, and approved by the Regulator as, tier 1 capital in accordance with the Capital Regulations;

U.S. Government Securities Business Day means any day except for a Saturday, Sunday or a day on which the U.S. Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

U.S. Securities Determination Date means the second U.S. Government Securities Business Day before the commencement of the Reset Period for which the rate will apply; and

Write-down means:

(a) the Capital Securities shall be cancelled (in the case of a write-down in whole) or written-down in part on a *pro rata* basis (in the case of a write-down in part) as determined by the Bank in conjunction with the Regulator in accordance with the Capital Regulations; and

(b) all rights of any holder of Capital Securities for payment of any amounts under or in respect of the Capital Securities (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 Capital Securities 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.

For the avoidance of doubt, with respect to paragraphs (a) and (b) of this definition, the Write-down will be full and permanent where the Regulator has determined, under paragraph (b) in the definition of "Non-Viability Event", that a public sector injection of capital (or equivalent support) is required and shall occur prior to any such public sector injection of capital (or equivalent support).

All references in these Conditions to **U.S. dollars**, **U.S.$** and **$** are to the lawful currency of the United States of America.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Capital Securities are issued in registered form in principal amounts of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof (each an **Authorised Denomination**). A Capital Security will be issued to each holder of the Capital Securities in respect of its registered holding of Capital Securities. Each Individual Certificate will be numbered serially with an identifying number which will be recorded on the relevant Individual Certificate and in the register of holders of the Capital Securities (the **Register**).

Upon issue, the Capital Securities will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. The Conditions are modified by certain provisions contained in the Global Certificate.

2.2 Title

The holder of any Capital Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the certificate issued in respect of it) and no person will be liable for so treating the holder.

For so long as any of the Capital Securities is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of such Capital Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Capital Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by each of the Bank and the Agents as the holder of such principal amount of such Capital Securities for all purposes other than with respect to the payment of principal or interest on such principal amount of such Capital Securities, for which purpose the registered holder of the Global Certificate shall be treated by each of the Bank and any Agent as the holder of such principal amount of such Capital Securities in accordance with and subject to the terms of the Global Certificate.

3. TRANSFERS OF CAPITAL SECURITIES AND EXCHANGE FOR INDIVIDUAL CERTIFICATES

3.1 Transfers of interests in a Global Certificate

Capital Securities which are represented by a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg (as the case may be).

3.2 Transfer of Individual Certificates

Subject to the conditions set forth in the Agency Agreement, an Individual Certificate may be transferred in whole or in part (in Authorised Denominations). In order to effect any such transfer: (a) the holder or holders must (i) surrender the Capital Security for registration of the transfer of the Capital Security (or the relevant part of the Capital Security) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Bank and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar and the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Individual Certificate of a like aggregate principal amount to the Capital Security (or the relevant part of the Capital Security) transferred. In the case of the transfer of part only of an Individual Certificate, a new Individual Certificate in respect of the balance of the Capital Security not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

3.3 Costs of registration

Holders of the Capital Securities will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Bank may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3.4 Exchange for Individual Certificates

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Certificates only upon the occurrence of an Exchange Event (as defined below). The Bank will promptly give notice to holders of the Capital Securities and the Fiscal Agent in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. For these purposes, an **Exchange Event** shall occur if: (a) an Event of Default has occurred; or (b) the Bank has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of legal holiday) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Bank is available.

In such circumstances, the Global Certificate shall be exchanged in full for Individual Certificates and the Bank will, at the cost of the Bank, cause sufficient Individual Certificates to be executed and delivered to the Registrar within ten days following the request for exchange for completion and dispatch to the holders of the Capital Securities.

3.5 Other

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as shall have been approved by the Bank and the Fiscal Agent.

4. STATUS, SUBORDINATION AND OTHER ISSUES

4.1 Status of the Capital Securities

Each Capital Security will rank *pari passu* without preference or priority, with all other Capital Securities.

4.2 Subordination of the Capital Securities

(a) The payment obligations of the Bank under the Capital Securities (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* amongst themselves; (iii) rank junior to all Senior Obligations; (iv) rank *pari passu* with all Pari Passu Obligations; and (v) rank in priority only to all Junior Obligations.

(b) Subject to applicable law, no holder of the Capital Securities 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 Capital Securities and each holder of the Capital Securities shall, by virtue of being a holder of the Capital Securities, be deemed to have waived all such rights of set-off.

4.3 Other Issues

So long as any of the Capital Securities remain outstanding, the Bank will not issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes (whether on a solo, or a solo consolidated or a consolidated basis) issued Tier 1 Capital of the Bank if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the Obligations. This prohibition will not apply if at the same time or prior thereto: (a) these Conditions are amended to ensure that the Bank obtains; and/or (b) the Obligations have, the benefit of, such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support arrangement as are required so as to ensure that claims in respect of the Obligations rank *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

5. INTEREST

5.1 Interest Payments

The Capital Securities bear interest on their principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 5.

Subject to Condition 6 (*Interest Restrictions*), interest shall be payable on the Capital Securities semi-annually in arrears on each Interest Payment Date, in each case as provided in this Condition 5. Interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Capital Securities 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: (a) the applicable Interest Rate; (b) the outstanding principal amount of the relevant Capital Security; and (c) the applicable Day-count Fraction for the Relevant Period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(a) Initial Interest Rate

For each Interest Period ending before the First Call Date and subject to Condition 6 (*Interest Restrictions*), the Capital Securities bear interest at the rate of 7.625 per cent. per annum (the **Initial Interest Rate**).

(b) Reset Interest Rates

For the purpose of calculating payments of interest on and from the First Call Date, the interest rate will be reset on each Reset Date on the basis of the aggregate of an initial margin of 6.807 per cent. per annum (the **Initial Margin**) and the Relevant 5 Year Reset Rate on the Determination Date, as determined by the Calculation Agent. For the avoidance of doubt, the reset shall apply to the Relevant 5 Year Reset Rate and not to the Initial Margin.

The Calculation Agent will, as soon as practicable upon determination of the Interest Rate which shall apply to the Reset Period commencing on the relevant Reset Date, cause the applicable Interest Rate and the corresponding Interest Payment Amount to be notified to each of the Paying Agents and the London Stock Exchange, and to be notified to holders of the Capital Securities in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the second Business Day thereafter.

(c) Determinations of Calculation Agent Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Calculation Agent, the Paying Agents and the holders of the Capital Securities and (in the absence of wilful default, bad faith or manifest error) no liability to the Bank or the holders of the Capital Securities shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

6. INTEREST RESTRICTIONS

6.1 Non-Payment Event

Notwithstanding Condition 5.1 (*Interest Payments*), if any of the following events occurs (each, a **Non-Payment Event**), Interest Payment Amounts shall not be paid on any Interest Payment Date:

(a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Bank on any Pari Passu Obligations, having the same dates in respect of payment of such distributions or amounts as, or otherwise due and payable on, the dates for payment of Interest Payment Amounts, exceed, on the relevant date for payment of such Interest Payment Amounts, Distributable Items;

(b) the Bank is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of capital buffers imposed on the Bank by the Regulator) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof; or

(c) the Regulator requires that the Interest Payment Amount due on that Interest Payment Date shall not be paid.

6.2 Non-Payment Election

Notwithstanding Condition 5.1 (*Interest Payments*), the Bank may in its sole discretion elect that Interest Payment Amounts shall not be paid to holders of the Capital Securities 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 Capital Securities are to be redeemed in full in accordance with Condition 9.1 (*Redemption and Variation*).

For the avoidance of doubt, the Bank will have the right to otherwise use any Interest Payment Amounts not paid to holders of the Capital Securities and such non-payment will not impose any restriction on the Bank other than as set out in Condition 6.4 (Dividend and Redemption Restrictions).

6.3 Effect of Non-Payment Event or Non-Payment Election

If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Bank shall: (a) in the case of a Non-Payment Election, 14 calendar days prior to such event; and (b) in the case of a Non-Payment Event, as soon as practicable thereafter but in any case no later than one Business Day prior to the relevant Interest Payment Date, give notice to the holders of the Capital Securities and the Fiscal Agent in accordance with Condition 15 (*Notices*) in each case providing details of the Non-Payment Election or Non-Payment Event (as the case may be). In the absence of notice of such Non-Payment Election or Non-Payment Event, as the case may be, having been given in accordance with this Condition 6.3, the fact of non-payment of the relevant Interest Payment Amount (or any part thereof) on the relevant Interest Payment Date shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event (in each case, irrespective of whether notice of such Non-Payment Election or Non-Payment Event has been given in accordance with this Condition 6.3) and any non-payment of an Interest Payment Amount in such circumstances shall not constitute an Event of Default. The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid Interest Payment Amount.

6.4 Dividend and Redemption Restrictions

If any Interest Payment Amount is not paid as a consequence of a Non-Payment Event or a Non-Payment Election pursuant to Condition 6.1 (*Non-Payment Event*) or 6.2 (*Non-Payment Election*) (as the case may be), then, from the date of such Non-Payment Event or Non-Payment Election (the **Dividend Stopper Date**), the Bank will not, so long as any of the Capital Securities are outstanding:

(a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or

(b) pay interest, profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities, ranking, as to the right of payment of dividend, distributions or similar payments, junior to or *pari passu* with the Obligations (excluding securities the terms of which do not at the relevant time enable the Bank to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the Applicable Regulatory Capital Requirements; or

(c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Ordinary Shares; or

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

in each case unless or until one Interest Payment Amount following the Dividend Stopper Date has been paid in full.

7. PAYMENTS

7.1 Payments in respect of Individual Certificates

Subject as provided below, payments will be made by credit or transfer to an account maintained by the payee with, or, at the option of the payee, by a cheque drawn on, a bank in New York City.

Payments of principal in respect of each Capital Security will be made against presentation and surrender of the Individual Certificate at the specified office of the Registrar or any of the

Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Individual Certificate appearing in the Register at the close of business on the third business day (being for this purpose a day on which banks are open for business in London) before the relevant due date. Notwithstanding the previous sentence, if: (a) a holder does not have a Designated Account; or (b) the principal amount of the Capital Securities held by a holder is less than U.S.$200,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in U.S. dollars drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means a bank in New York City.

Interest payments in respect of each Capital Security will be made by a cheque in U.S. dollars drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Capital Security appearing in the Register at the close of business on the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any interest payment in respect of an Individual Certificate, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future interest payments (other than interest payments due on redemption) in respect of the Capital Securities which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Interest Payments due in respect of each Capital Security on redemption will be made in the same manner as payment of the principal amount of such Capital Security.

Holders of Capital Securities will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Capital Security as a result of a cheque posted in accordance with this Condition 7.1 arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Capital Securities.

Payments will be subject in all cases to (i) any fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the holders of the Capital Securities in respect of such payments.

7.2 Payments in respect of the Global Certificate

The holder of the Global Certificate shall be the only person entitled to receive payments in respect of Capital Securities represented by the Global Certificate and the Bank will be discharged by payment to, or to the order of, the holder of such Global Certificate in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular principal amount of Capital Securities represented by such Global Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be), for his share of each payment so made by the Bank, or to the order of, the holder of such Global Certificate.

7.3 Payment Day

If the date for payment of any amount in respect of the Capital Securities is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 13 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and London.

7.4 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Capital Securities shall be deemed to include, as applicable:

(a) any Additional Amounts which may be payable with respect to principal under Condition 12 (*Taxation*);

(b) the Early Redemption Amount of the Capital Securities;

(c) the Capital Event Redemption Amount of the Capital Securities; and

(d) the Tax Redemption Amount of the Capital Securities.

Any reference in the Conditions to interest in respect of the Capital Securities shall be deemed to include, as applicable, any Additional Amounts which may be payable with respect to distributions under Condition 12 (*Taxation*).

The Capital Securities, on issue, will be represented by the Global Certificate registered in the name of, and held by a nominee on behalf of, a common depository for Euroclear and/or Clearstream, Luxembourg. All payments in respect of Capital Securities represented by the Global Certificate will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

8. AGENTS

The names of the initial Agents and their initial specified offices are set out above.

The Bank is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that**:

(a) there will at all times be a Fiscal Agent and a Registrar;

(b) with effect from the First Call Date, and so long as any Capital Securities remain outstanding thereafter, there will be a Calculation Agent;

(c) so long as the Capital Securities are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(d) there will at all times be a Paying Agent and a Transfer Agent with a specified office in western Europe.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the holders of the Capital Securities in accordance with Condition 15 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Bank and do not assume any obligation to, or relationship of agency or trust with, any holders of the Capital Securities. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

9. REDEMPTION AND VARIATION

9.1 Redemption and Variation

(a) ***No Fixed Redemption Date and Conditions for Redemption and Variation***

The Capital Securities are perpetual securities in respect of which there is no fixed or final redemption date and the Bank shall (subject to the provisions of Condition 11 (*Events of Default*) and without prejudice to the provisions of Condition 13 (*Prescription*)) only have the right to redeem the Capital Securities or vary the terms thereof in accordance with the following provisions of this Condition 9.

The redemption of the Capital Securities or variation of the Conditions, in each case pursuant to this Condition 9, is subject to the following conditions:

(i) the prior consent of the Regulator;

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

(iii) (in the case of Conditions 9.1(c) (*Redemption or Variation due to Taxation*) or 9.1(d) (*Redemption or Variation for Capital Event*) only) the requirement that the circumstance that entitles the Bank to exercise its right of redemption or variation is a change in, or amendment to, the laws, published practice or regulations (including in the case of Condition 9.1(d) (*Redemption or Variation for Capital Event* only, Applicable Regulatory Capital Requirements) 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,

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

(b) ***Bank's Call Option***

Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), the Bank may, by giving:

(i) not less than 15 nor more than 30 days' prior notice to the holders of the Capital Securities in accordance with Condition 15 (*Notices*); and

(ii) not less than 15 days before the giving of the notice referred to in Condition 9.1(b)(i), notice to the Fiscal Agent and the Registrar;

(which notices shall be irrevocable and specify the date fixed for redemption) redeem all, but not some only, of the Capital Securities on (i) the First Call Date or (ii) any Interest Payment Date after the First Call Date (each a **Call Date**) at the Early Redemption Amount.

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

(c) ***Redemption or Variation due to Taxation***

(i) Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Tax Event, the Bank may, by giving not less than 15 nor more than 30 days' prior notice to the Fiscal Agent and the holders of the Capital Securities in accordance with Condition 15 (*Notices*), which notices shall be irrevocable: (A) redeem all, but not some only, of the Capital Securities at the Tax Redemption Amount; or (B) vary the terms of the Capital Securities so that they remain or, as appropriate, become, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the holders of the Capital Securities.

(ii) Redemption of the Capital Securities, or variation of the Conditions, pursuant to this Condition 9.1(c) may occur on any date on or after the Issue Date (whether or not an Interest Payment Date), **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such Additional Amounts were a payment in respect of the Capital Securities then due.

(iii) Prior to the publication of any notice of redemption or variation (as the case may be) pursuant to this Condition 9.1(c), the Bank shall give to the Fiscal Agent: (A) a certificate signed by two Authorised Signatories of the Bank stating that: (I) the conditions set out in Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (II) a Tax Event has occurred; and (III) in the case of a variation only, the varied Capital Securities are Qualifying Tier 1 Instruments and that the Regulator has confirmed that they satisfy limb (a) of the definition of Qualifying Tier 1 Instruments; and (B) an opinion of independent legal advisors of recognised standing to the effect that the Bank has or will become obliged to pay Additional Amounts as a result of the Tax Event. Such certificate delivered in accordance with this Condition shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above. Upon expiry of such notice, the Bank shall redeem or vary the terms of the Capital Securities (as the case may be).

The Capital Regulations, as in force from time to time, may oblige the Bank to demonstrate to the satisfaction of the Regulator that (among other things) the Tax Event was not reasonably foreseeable at the Issue Date.

(d) ***Redemption or Variation for Capital Event***

(i) Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Capital Event, the Bank may, by giving not less than 15 nor more than 30 days' prior notice to the holders of the Capital Securities in accordance with Condition 15 (*Notices*), which notice shall be irrevocable: (A) redeem all, but not some only, of the Capital Securities at the Capital Event Redemption Amount; or (B) solely for the purpose of ensuring compliance with Applicable Regulatory Capital Requirements vary the terms of the Capital Securities so that they remain or, as appropriate, become, Qualifying Tier 1 Instruments without any requirement for consent or approval of the holders of the Capital Securities.

(ii) Redemption of the Capital Securities, or variation of the Conditions, pursuant to this Condition 9.1(d) may occur on any date on or after the Issue Date (whether or not an Interest Payment Date).

(iii) At the same time as the delivery of any notice of redemption or variation (as the case may be) pursuant to this Condition 9.1(d) the Bank shall give to the Fiscal Agent a certificate signed by two Authorised Signatories stating that: (A) the conditions set out in Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (B) a Capital Event has occurred; and (C), in the case of a variation only, the varied Capital Securities are Qualifying Tier 1 Instruments and that the Regulator has confirmed that they satisfy limb (a) of the definition of Qualifying Tier 1 Instruments. Such certificate shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above. Upon expiry of such notice the Bank shall redeem or vary the terms of the Capital Securities (as the case may be).

The Capital Regulations (as in force from time to time) may oblige the Bank to demonstrate to the satisfaction of the Regulator that (among other things) the Capital Event was not reasonably foreseeable at the Issue Date.

(e) ***Taxes upon Variation***

In the event of a variation in accordance with Condition 9.1(c) (*Redemption or Variation due to Taxation*) or 9.1(d) (*Redemption or Variation for Capital Event*), the Bank will not be obliged to pay and will not pay any liability of any holder of the Capital Securities to corporation tax, corporate income tax or tax on profits or gains or any similar tax arising in respect of the variation of the terms of the Capital Securities **provided that** (in the case of a Tax Event) or so that (in the case of a Capital Event) they remain or, as appropriate, become, Qualifying Tier 1 Instruments, including in respect of any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such holder of the Capital Securities.

9.2 Purchase

Subject to the Bank: (a) obtaining the prior written consent of the Regulator; and (b) being in compliance with the Applicable Regulatory Capital Requirements, the Bank or any of its subsidiaries (if any), may at any time after the First Call Date purchase the Capital Securities at any price in the open market or otherwise. Such Capital Securities must be surrendered to any Agent for cancellation.

9.3 Cancellation

All Capital Securities which are redeemed will forthwith be cancelled. All Capital Securities so cancelled and any Capital Securities purchased and cancelled pursuant to Condition 9.2 (*Purchase*) above shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

10. WRITE-DOWN AT THE POINT OF NON-VIABILITY

10.1 Non-Viability Event

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 10.2 (*Non-Viability Notice*) below.

It is the Bank's current intention that a Write-down will take place: (a) after the Ordinary Shares of the Bank absorb losses (if and to the extent such loss absorption is permitted at the relevant time under all relevant rules and regulations applicable to the Bank at such time) and the Regulator has not notified the Bank in writing that the relevant Non-Viability Event has been cured as a result of such loss absorption; (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 Tier 1 Capital 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. However, the Bank may at any time depart from this policy at its sole discretion.*

10.2 Non-Viability Notice

If a Non-Viability Event occurs, on the third Business Day following the occurrence of such Non-Viability Event (or such earlier date as determined by the Regulator), the Bank will notify the holders of the Capital Securities thereof in accordance with Condition 15 (*Notices*) (a **Non-Viability Notice**). Upon provision of such Non-Viability Notice, a Write-down of the Capital Securities shall take place on the Non-Viability Event Write-down Date and, with effect from such date, holders shall not be entitled to any claim for any amount subject to such Write-down in connection with the Capital Securities. Any such Write-down shall not constitute an Event of Default. Holders of the Capital Securities acknowledge that there shall be no recourse to the Regulator in respect of any determination made by it with respect to the occurrence of a Non-Viability Event.

Following any Write-down of the Capital Securities in accordance with this Condition 10: (a) references in these Conditions to the **principal amount** or **outstanding principal amount** of the Capital Securities shall be construed as referring to the written-down amount; (b) the principal amount so written-down will be cancelled and interest will continue to accrue only on the outstanding principal amount following such cancellation, subject to Conditions 6.1 (*Non-Payment Event*) and 6.2 (*Non-Payment Election*) as described herein; and (c) any amounts so written-down may not be restored and holders of the Capital Securities 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 9.1(b) (*Bank's Call Option*); or (iv) following the redemption or variation of the Capital Securities upon the occurrence of a Tax Event (pursuant to Condition 9.1(c) (*Redemption or Variation due to Taxation*)) or a Capital Event (pursuant to Condition 9.1(d) (*Redemption or Variation for Capital Event*)).

11. EVENTS OF DEFAULT

Notwithstanding any of the provisions below in this Condition 11, the right to institute winding-up proceedings is limited to circumstances where payment has become due. In the case of any payment of interest in respect of the Capital Securities, such payment may be cancelled pursuant to Condition 6 (Interest Restrictions) and, if so cancelled will not be due on the relevant payment date and, in the case of payment of principal, such payment is subject to the conditions set out in Condition 9.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation) 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 Capital Securities may give written notice to the Bank at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 9.1 (*Redemption and Variation*), become forthwith due and payable at its Early Redemption Amount, 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 Capital Securities 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 11, and the proving or claiming in any dissolution and liquidation of the Bank, shall be available to the holders of the Capital Securities, whether for the recovery of amounts owing in respect of the Capital Securities or in respect of any breach by the Bank of any other obligation, condition or provision binding on it under the Capital Securities.

12. TAXATION

All payments of principal and interest in respect of the Capital Securities by the Bank will be made without withholding or deduction for or on account of any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature imposed or levied by or on behalf of Oman or any political sub-division or authority thereof or therein having the power to tax unless such withholding or deduction is required by law. In such event, the Bank will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Capital Securities after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Capital Securities (as the case may be), in the absence of such withholding or deduction (**Additional Amounts**); except that no such Additional Amounts shall be payable with respect to any Capital Security:

(a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Capital Security by reason of his having some connection with Oman other than the mere holding of such Capital Security; or

(b) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day.

Notwithstanding any other provision of these Conditions, in no event will the Bank be required to pay any additional amounts in respect of the Capital Securities for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

13. PRESCRIPTION

Subject to applicable law, claims for payment in respect of the Capital Securities will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

14. REPLACEMENT OF CAPITAL SECURITIES

Should any Capital Security be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Replacement Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Bank and the Replacement Agent may reasonably require. Mutilated or defaced Capital Securities must be surrendered before replacements will be issued.

15. NOTICES

All notices to the holders of the Capital Securities will be valid if mailed to them at their respective addresses in the register of the holders of the Capital Securities 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 Capital Securities are for the time being listed including publication on the website of the relevant stock exchange or relevant authority if required by those rules and regulations. 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.

For so long as all the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to the holders rather than by publication and delivery except that, so long as the Capital Securities are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Notices to be given by any holder of the Capital Securities shall be in writing and given by lodging the same, together (in the case of any Individual Certificate) with the relative Capital Security or Capital Securities, with the Registrar. Whilst any of the Capital Securities are represented by a Global Certificate, such notice may be given by any holder of a Capital Security to the Registrar through Euroclear and/or Clearstream, Luxembourg (as the case may be), in such manner as the Registrar, and Euroclear and/or Clearstream, Luxembourg (as the case may be) may approve for this purpose.

16. FURTHER ISSUES

The Bank may from time to time without the consent of the holders of the Capital Securities, create and issue further instruments ranking *pari passu* in all respects (or in all respects save for the date from which distributions or interest thereon accrue and the amount and date of the first distributions or interest thereon (or such other equivalent amount) on such further instrument) and so that such further issue shall be consolidated and form a single series with the outstanding Capital Securities. References in these Conditions to the **Capital Securities** include (unless the context requires otherwise) any other securities issued pursuant to this Condition 16 and forming a single series with the Capital Securities.

17. MEETINGS OF HOLDERS OF THE CAPITAL SECURITIES AND MODIFICATION

The Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the holders of the Capital Securities to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Bank and shall be convened by the Bank if required in writing by holders of the Capital Securities holding not less than ten per cent. in principal amount of the Capital Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in principal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing holders of the Capital Securities whatever the principal amount of the Capital Securities so held or represented, except that, at any meeting the business of which includes the modification of certain provisions of the Capital Securities (including modifying any date for interest payment thereon, reducing or cancelling the amount of principal or the interest payable in respect of the Capital Securities or altering the currency of payment of the Capital Securities), the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Capital Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Capital Securities for the time being outstanding. The Agency Agreement provides that (a) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (b) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Capital Securities for the time being outstanding or (c) consent given by way of electronic consents through the relevant clearing systems (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than three-fourths in principal amount of the Capital Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the holders of the Capital Securities. An Extraordinary Resolution passed at any meeting of the holders of the Capital Securities shall be binding on all the holders of the Capital Securities, whether or not they are present at the meeting, and whether or not they voted on the resolution.

The Fiscal Agent and the Bank may agree, without the consent of the holders of the Capital Securities, to:

(a) any modification (except as mentioned above) of the Capital Securities or the Agency Agreement which is not prejudicial to the interests of the holders of the Capital Securities; or

(b) any modification of the Capital Securities or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the holders of the Capital Securities and any such modification shall be notified to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND DISPUTE RESOLUTION

19.1 Governing law

The Agency Agreement and the Capital Securities (except for Condition 4.2 (*Subordination of the Capital Securities*)), and any non-contractual obligations arising out of or in connection with the Agency Agreement and the Capital Securities are governed by, and shall be construed in accordance with, English law. Condition 4.2 (*Subordination of the Capital Securities*) is governed by, and shall be construed in accordance with, the laws of Oman.

19.2 Arbitration

Any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Capital Securities (including any dispute, claim, difference or controversy relating to any non-contractual obligations arising out of or in connection with the Capital Securities; and any dispute, claim, difference or controversy regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity) (a **Dispute**) shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Condition 19.2. For these purposes:

(a) the seat of arbitration will be London;

(b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and

(c) the language of the arbitration shall be English.

19.3 Appointment of Process Agent

The Bank appoints Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom as its agent for service of process, and undertakes that, in the event of Maples and Calder being unable or unwilling for any reason so to act, it will immediately (and in any event within 30 days of the event taking place) appoint another person as its agent for service of process in England in respect of any Disputes. Failure by a process agent to notify the person that appointed it of any process will not invalidate the relevant proceedings. Nothing herein shall affect the right to serve process in any other manner permitted by law.

19.4 Waiver of immunity

The Bank hereby irrevocably and unconditionally waives with respect to the Capital Securities any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Disputes.

19.5 Other documents

The Bank has in the Agency Agreement submitted to arbitration, appointed an agent for service of process and waived its immunity in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from the issue of Capital Securities (which are expected to be U.S.$248,062,500) will be used by the Bank to increase its Tier 1 Capital (as defined in the Conditions) for the purpose of increasing its capital adequacy and for its general corporate purposes.

DESCRIPTION OF THE GROUP

OVERVIEW

The Bank was incorporated in Oman on 1 October 1984 as a closed joint stock company following the acquisition of Arab Bank's branches in Oman. On 6 July 2020, the Bank was listed on the Muscat Securities Market and consequently the name was changed from Oman Arab Bank SAOC to Oman Arab Bank SAOG.

The Bank is principally engaged in commercial banking activities through a network of branches in Oman. The Bank operates in Oman under a banking licence issued by the CBO and is covered by its deposit insurance scheme. The registered address of the Bank is North Al Ghoubra, P.O. Box 2240, Al-Udhayabah, Postal Code 130, Muscat, Oman. The Bank's website address is http://www.oman-arabbank.com and its telephone number is +968 24754444 (contact centre) / +968 24754000 (head office).

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

As at 31 December 2020, the authorised ordinary share capital of the Bank comprised 2,000,000,000 ordinary shares of RO 0.100 each. Before the AIB Acquisition, the Bank had 1,346,200,000 issued, subscribed and fully paid equity shares of RO 0.100 each. On 30 June 2020, the Bank issued 323,210,000 additional equity shares to the shareholders of AIB as consideration for the AIB Acquisition (for further information see "—AIB Acquisition and Al Yusr Transfer"). As a result, as at 31 December 2020, the Bank had 1,669,410,000 issued, subscribed and fully paid equity shares of RO 0.100 each. As at 31 December 2020, the shareholders of the Bank were: Arab Bank (49.00 per cent.), OMINVEST (31.64 per cent.) and other parties, including trusts (19.36 per cent.).

As at 31 December 2020, the Bank had 54 conventional banking branches and 155 conventional banking ATMs and CDMs in high footfall locations across Oman that are supported by Arab Bank's 600 branches spanning five continents and AIB's 17 Islamic banking branches and 27 Islamic banking ATMs and CDMs (see "—*Competition and Competitive Strengths*—Strong synergies with OMINVEST and Arab Bank").

For financial reporting purposes, the Group's business activities are classified within the following segments: (i) Retail Banking; (ii) Corporate Banking; (iii) Treasury; (iv) others (head office and other central functions); and (v) Islamic Banking (provided through AIB) (see "—*Financial Reporting and Business Segments*").

Financial Overview

The Bank's profit for the year decreased by 56.0 per cent. to RO 14.3 million for the year ended 31 December 2020 from RO 32.6 million for the year ended 31 December 2019, which represented an increase of 8.0 per cent. from RO 30.1 million for the year ended 31 December 2018. The Group's profit for the year amounted to RO 14.2 million for the year ended 31 December 2020.

The Bank's total assets increased by 2.3 per cent. to RO 2.6 billion as at 31 December 2020 from RO 2.5 billion as at 31 December 2019, which represented an increase of 7.2 per cent. from RO 2.3 billion as at 31 December 2018. The Group's total assets amounted to RO 3.3 billion as at 31 December 2020.

The Bank's total equity attributable to equity holders of the Bank increased by 21.2 per cent. to RO 359.0 million as at 31 December 2020 from RO 296.3 million as at 31 December 2019, which represented an increase of 4.2 per cent. from RO 284.3 million as at 31 December 2018. The Group's total equity attributable to equity holders of the Bank amounted to RO 359.0 million as at 31 December 2020.

As per the CBO guidelines, the Bank was required to maintain its capital adequacy ratio at a minimum of 13.5 per cent. of risk weighted assets. The Bank's total capital adequacy ratio (calculated in accordance with the CBO guidelines) as at 31 December 2020 was 15.26 per cent., as at 31 December 2019 was 15.20 per cent. and as at 31 December 2018 was 16.54 per cent. The Group's total capital adequacy ratio (calculated in accordance with the CBO guidelines) as at 31 December 2020 was 15.42 per cent. The Bank's Tier 1 capital ratio was 14.43 per cent. as at 31 December 2020, 14.31 per cent. as at 31 December 2019 and 15.25 per cent. as at 31 December 2018. The Group's Tier 1 capital ratio was 14.52 per cent. as at 31 December 2020.

Ratings

As at the date of this Offering Circular, the Bank had the following ratings from Moody's:

- long term foreign currency deposit at Ba3 (with a negative outlook); and
- baseline credit assessment at ba3.

As at the date of this Offering Circular, the Bank had the following ratings from Capital Intelligence:

- long term foreign currency deposit ratings at BB (with a negative outlook);
- short-term foreign currency deposit ratings at B (with a negative outlook); and
- a bank standalone rating of bb (with a negative outlook).

Awards

The Bank has recently won a number of awards, including:

- Fourth Oman Forum for Partnership and Social Responsibility 2020: Excellence Award in Social Responsibility.
- Oman Economic Review Magazine Awards 2020: Human Resources Excellence Award.
- Alam Al-Iktisaad Magazine Awards 2020: Excellence in Digital Banking.
- New Age Banking Summit 2020: Leadership in Agile Banking award.
- Banker Middle East Awards 2020: Best Retail Banking Services (Oman) and Best Banking Services (Oman).
- Citibank Straight Through Processing Excellence Award 2019.

History

The Bank was established in 1984 following the Bank’s acquisition of Arab Bank branches in Oman, which had been operating since 1973. In 1992, the operations were further expanded by the acquisition of all the retail branches of Omani European Bank, with which the Bank then merged in 1994.

The Bank underwent a major change in management in 2014 after the CEO, who had headed the bank since Arab Bank's first branch in 1973, announced his retirement. The Bank initiated a new five-year strategy under the new administration and, in 2016, announced the disinvestment of the 'Investment Management Group', its investment banking business, into a separate entity, U-Capital, as part of its strategy to exit non-core businesses.

AIB Acquisition and Al Yusr Transfer

AIB Acquisition

On 30 June 2020, the Bank acquired 100 percent of the shares and voting interests in AIB. To comply with local law requirements, AIB was 99.98 per cent. owned by the Bank, 0.01 per cent. owned by OMINVEST and 0.01 per cent. owned by Arab Bank as at 31 December 2020.

AIB was previously listed on the MSM and upon acquisition by the Bank, the shares of AIB were delisted. Subsequently these shares were exchanged for the shares in the Bank. The exchange of shares was based on the agreed ratio of 81:19 between the Bank and shareholders of AIB. The share swap ratio was determined based on the net assets value of the Bank and AIB as at 31 March 2020, which was approved by the shareholders of both the Bank and AIB and the relevant regulators. Subsequently, the Bank was listed on the MSM at price of RO 0.213 per share (i.e. the net assets value per share of the Bank as of 31 March 2020). Accordingly, the consideration paid for acquisition of AIB recorded as share capital and share premium is based on the share price of RO 0.213. The total consideration paid for the acquisition was RO 68,886,000.

The following table sets out the consideration transferred.

	Units	**Unit Price**	**RO'000**
Shares issued........................	323,210,000	0.100	32,321
Share premium.....................	323,210,000	0.113	36,565
			68,886

As at 31 December 2020, the Bank had incurred RO 877,000 in costs related to the AIB Acquisition.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at completion of the AIB Acquisition on 30 June 2020. The numbers are based on the unaudited financial statements of AIB as at 30 June 2020.

	30 June 2020
	RO'000
Assets	
Cash and balances with the CBO..	34,223
Due from banks..	5,114
Loans and advances and financing to customers	555,971
Investment securities..	42,399
Property and equipment	3,533
Other assets	17,397
Total assets..	**658,637**
Liabilities	
Due to banks	10,203
Deposits from customers..	572,362
Other liabilities...	13,691
Total liabilities	**596,256**
Net assets...	**62,381**

The Bank's management believe that the AIB Acquisition will allow the Group to become more competitive, both locally and regionally. Through the AIB Acquisition, the Bank aims to enhance shareholder value and promote the development of the Group in line with the larger industry-wide trend towards consolidation to create a financial institution which is leaner, more cost efficient and has great economies of scale. The Group has a larger asset base as a result of the AIB Acquisition which the Group aims to leverage to identify increased lending and financing opportunities. As at 31 December 2020, based on provisional data, the Group's Islamic banking assets represented approximately 14.3 per cent. of the total Islamic banking assets in Oman (Source: AIB financial statements as at and for the year ended 31 December 2020 and CBO Quarterly Statistical Bulletin December 2020).

The accounting related to the AIB Acquisition has been recorded on a provisional basis based on the net assets of AIB on the date of the acquisition, as the purchase price allocation exercise to determine the fair value of assets acquired and the liabilities assumed is ongoing. The accounting for the AIB Acquisition will be revised on the completion of the purchase price allocation within a period of 12 months from the date of the acquisition, as allowed under IFRS 3 "Business Combinations".

The expected increase in customer base and branch network will also assist management to drive further market penetration and identify opportunities to leverage unified synergies. In particular, management believes that the AIB Acquisition positions the Bank well to leverage synergies between AIB and Arab Bank for Islamic banking products and OMINVEST for insurance (takaful), finance and leasing, real estate, investment banking and asset management.

Al Yusr Transfer

On 6 July 2020, the Bank transferred its Islamic banking window, Al Yusr, to AIB for RO 18,758,000. The Al Yusr Transfer was accounted for in the 2020 Financial Statements as a common control transaction.

The table below sets out the assets and liabilities transferred pursuant to the Al Yusr Transfer.

	30 June 2020
	RO'000
Assets	
Cash and balances with the CBO	21,202
Due from banks	437
Loans and advances and financing to customers	139,919
Investment securities	3,597
Property and equipment	143
Other assets	1,722
Total assets	**167,020**
Liabilities	
Due to banks	15,000
Deposits from customers	130,531
Other liabilities	2,731
Total liabilities	**148,262**
Net assets	**18,758**

AIB operates as a separate Islamic banking subsidiary of the Bank under an Islamic banking licence granted by the CBO. Al Yusr commenced operations as the Bank's Islamic banking window on 14 July 2013. The principal activities of AIB (including legacy business from Al Yusr) are providing Shari'a compliant financing, accepting Shari'a compliant deposits and other activities permitted under the CBO's regulated "Islamic Banking Services", as defined in the licensing framework.

STRATEGY

Strategy Statement

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

Overview

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

Capitalise on the gains

The Bank intends to continue to drive its core revenue business whilst maintaining a strong balance sheet. The Bank intends to pursue moderate growth in the loan portfolio in order to make optimal use of its capital and at the same time endeavour to diversify the Bank's income stream, by shifting reliance away from net interest income and increasing the proportion of non-funded, commission income below.

The Bank continues to explore opportunities to sell down low yielding assets, particularly within Corporate Banking, whenever opportunities arise in the market and to optimise business lines which are underperforming. The Bank aims to deepen its relationship with the Government and semi-Government entities, both to grow assets as well as a source of funding.

The Bank also intends to continue to leverage its relationships with group companies and associates, including AIB, and Europe Arab Bank, Arab Bank and OMINVEST group companies, including U-Capital and National Life Insurance, in order to identify opportunities, grow assets and access expertise.

Accelerate growth

The Group is focussed on accelerating operational efficiencies in order to further drive growth, improve yields on assets and enhance the customer experience. This includes programmes aimed at cost optimisation, process re-engineering, digitalisation and channel transformation.

Innovate the service offering

The third phase in the Bank's strategic plan is continuing the digital transformation of the Bank through innovation thereby elevating the Bank's service and product offerings and enhancing the customer experience.

The Bank has laid the foundation for innovation by implementing the necessary infrastructure, investing in the technology to enable digital banking, training and development of staff, establishing alliances with the Bank's business partners and capitalising on the *"Innovation Hub"* (see "- *Creating an innovation culture*" below) to collaborate and develop new and innovative solutions around specific themes that drive value for the Bank and its partners. The Bank will execute its initiatives in each of the key focus areas outlined below in alignment with the three strategic pillars above to achieve the objectives stated in the strategic statement.

Enhancing customer experience

The Bank's strategy is to deliver a consistently superior customer experience through an integrated digital omni-channel platform that will differentiate the Bank from its competition. Furthermore, the enhancement of the Bank's digital offering will allow it to build new fee income lines.

The Bank seeks to offer the right solutions at the right time through intelligent use of data in order to position itself as a lifestyle partner to customers. Retail Banking, Corporate Banking and Treasury will coordinate to offer tailored services and products to target segments. As part of this strategy the following programmes are currently in development:

- the retail team are re-imagining the mobile banking journey of the Bank's customers with new enhancements, which will include digital payment solutions and personal financial management tools;

- a flexible Application Program Interface (API) platform will be implemented to integrate offerings from service providers and make them available to customers;

- service delivery at branches is being enhanced by encouraging customers to use the Bank's automated service channel and enabling frontline staff to focus on sales and service instead of transactions;

- extending the Robotic Process Automation (RPA) across various functions, to enhance efficiencies, enabling the Bank to deliver products and services to customers faster; and

- collecting sufficient data through digital channels to explore the use of artificial intelligence to create new value propositions for customers.

Creating an innovation culture

The Bank's strategy is to foster an innovation culture within the Bank to create value propositions for its customers. The Bank aims to improve its digital and IT infrastructure and launch new products or services through collaboration between technology developers, stakeholders and customers. The Bank aims to capitalise on the growth of e-payments through active on-boarding of merchant relationships in order to drive fee based income through the Bank's digital channels. To facilitate the migration of transactions to digital channels the Bank is establishing a first-of-its-kind *"Innovation Lab"* in Oman (a six-month internship programme for students geared towards accelerating innovation through collaboration) to provide an agile testing environment for innovative open-banking solutions to be developed and implemented. The Bank aims to collaborate with fintech companies and the teams working at its *"Innovation Lab"* on developing digital solutions for customers. The Bank ultimately intends to extend the eco-system of the Bank into sectors such as education, travel, insurance, payments, telecom, and utilities sectors through beneficial partnership with third-party developers.

Strong focus on talent management

The Bank is committed to creating a workplace that embraces innovation and allows employees to energise each other to increase the value of the Bank's products and services to customers. The human resources team has launched various talent management initiatives to accelerate this cultural transformation including

- the "LEAD" program for high potential employees;
- the "Mutamayizoon" award for outstanding performance;
- the "Insights" workshops to promote a culture of ongoing learning; and
- a comprehensive learning and development calendar and other internal initiatives, including executive leadership programmes, executive management programmes and graduate development programmes.

Building new alliances and partnerships in promising economic sectors and strengthening established relationships

The Bank intends to focus on building alliances and partnerships in promising economic sectors, such as manufacturing, mining, transport and logistics, tourism and developments in the free zones of Duqm and Salalah in order to generate new opportunities for its Corporate Banking business. The Bank intends to achieve this by extending the banking eco-system beyond traditional banking through partner APIs and tailored banking solutions. Furthermore, the Bank intends to lend mainly to medium or large SME enterprises and develop a unique SME banking value proposition. It is intended that Treasury will coordinate with Corporate Banking to so target corporate and SME customers in order to reduce concentration risk, lower the cost of funds and generate fee income as well as offering hedging solutions to customer to hedge foreign exchange, interest rate and commodity risks.

In Corporate Banking, the Bank will seek to lead or arrange club deals, with a focus on fees and intermediary roles. This will allow the Bank to build syndication capabilities in order to take on more lucrative transactions in the future.

In addition, the Bank intends to continue to develop and strengthen its deep relationships with government institutions in order to identify further lending and funding opportunities.

Developing synergies with Arab Bank and OMINVEST group companies

The Bank will continue to explore areas of business in which it can build strategic partnerships and synergies with Arab Bank group, including its overseas network, its Islamic banking subsidiary, Islamic International Arab Bank, and drawing upon the skills, expertise and governance policies of the Arab Bank group so as to enhance the Bank, as well as leveraging the various companies within the OMINVEST group including insurance, finance and leasing, investment banking, financial investments and asset management and real estate. In doing so, the Bank intends to identify potential business opportunities, create economies of scale and leverage skill-sets and expertise to enhance and create products and services that will add value to both customers and the Bank.

Growing retail deposits

The Bank is focused on strong growth of retail deposits in order to grow and diversify its funding base. The Bank intends to achieve this by introducing new deposit schemes tailored to the needs of high net worth individuals and elite customers and by launching an attractive prize scheme to attract new customers as well as mobilise low cost deposits.

Continue to develop Islamic banking capabilities

Through the AIB Acquisition, management of the Bank believes that the Bank will become a stronger, more competitive institution, both locally and regionally. The expected increase in customer base and branch network will drive further market penetration and increase opportunities to cross-sell products and services. Correspondingly, AIB has access to the Bank's wider network of branches and those of the Arab Bank group including its Islamic banking subsidiary, Islamic International Arab Bank.

In addition to focusing on increasing market penetration, the Bank's management intends that the Bank's injection of additional capital into AIB will provide an opportunity for AIB to grow its Islamic assets and to strengthen its capital adequacy ratios. Furthermore, it is intended that AIB will strengthen its funding base through new deposit schemes. Lastly, it is intended that AIB will focus on maintaining asset quality to limit non-performing financing and provisions.

It is intended that AIB will target growth in its corporate financing portfolio with a particular focus on SMEs, particularly within local, non-oil based industries and the tourism sector. It is also intended that AIB will focus on non-funded business lines, for example trade finance.

The Bank's strategy for each business segment of AIB is set out below.

Corporate Banking

- Focus on manufacturing, mining, transport and logistics, tourism and developments in the free zones of Duqm and Salalah;
- lead or arrange club deals, with a focus on fees and agency roles;
- take a cautious approach in financing the contracting sector;
- lend mainly to medium or large sized SME enterprises rather than micro and small enterprises. Develop unique SME banking value proposition;
- monitor and maintain asset quality;
- leverage relationship with group companies and associates; and
- leverage expertise, guidance, international reach of Arab Bank Group and Islamic International Arab Bank.

Retail Banking

- Focus on growing core deposits with double digit year-on-year growth;
- scale E-payments business;
- building new fee income lines through digital channel offering; and
- maintain and improve yields on assets.

Treasury

- Offer hedging solutions to customers, to hedge customers' FX, interest rate, and commodity risks; and

- coordinate with Corporate Banking to target corporate and SME customers, to reduce concentration risk, lower cost of funds and generate fee income.

Islamic Banking (Alizz Islamic Bank)

- Target growth in corporate portfolio with special focus on SME segment - medium sized entities rather than micro and small enterprises;

- local industries and non-oil-based SMEs and tourism sector;

- maintain superior asset quality to limit non-performing financing and provisions;

- focus on non-funded i.e., trade finance business through operational efficiency and designated branches; and

- introduce new deposit schemes to enhance CASA base.

COMPETITION AND COMPETITIVE STRENGTHS

The Bank is subject to competition in Oman from both locally incorporated and foreign banks. As at 31 December 2020, there were seven local banks operating in Oman, nine foreign banks, two specialised banks and seven Islamic banks (including AIB) and windows (Source: CBO Quarterly Statistical Bulletin December 2020).

Although locally incorporated banks generally have stronger relationships with Omani nationals and corporates which are incorporated in Oman, foreign banks may have greater resources, ability to leverage their international expertise and access to cheaper funding.

The Bank believes that its competitive strengths are:

Long standing Government relations

The Government and Government-related entities have been closely associated with the Bank from its inception in 1973 as Arab Bank and offers exclusive services to several ministries. The Bank has supported the Government in electronic payments through cards and the provision of e-gateway services and was the first bank to introduce smart cards in ministries for payment of dues. Furthermore, the Bank has branches and offices within the premises of many ministries catering to their respective employees.

Strong synergies with OMINVEST and Arab Bank

OMINVEST has a broad range of group entities across banking, insurance, leasing, real estate, investment banking and financial investments which provides the Bank with numerous lending, financing and marketing opportunities as well as cost synergies in vendor management where it is appropriate to tender on a group basis. Furthermore, the Bank has successfully leveraged its close association with Arab Bank to develop a strong corporate banking business in Oman. Together with Arab Bank, the Bank has been involved in a large number of the major industrial and infrastructure projects in Oman over the recent years. Arab Bank also supports the Bank with expertise at group level in areas such as treasury and supports the Bank's infrastructure by sharing information about "best practice" and good governance, which is key for creating a sound and robust risk control environment.

Large market share in Trade finance and FX business

The Bank has a large share of the Omani market for oil export letters of credit, which has benefited its trade finance business. In addition, the Bank's FX trading business is the fourth largest in Oman.

Strong commitment to innovation

Innovation is one of the Bank's key strategic pillars, and is driven by a strong commitment to deliver seamless customer experiences. The innovation roadmap is focused on connecting technology, emerging trends and talent across various ecosystems to accelerate growth and innovation in the financial services industry. As a testament to this, the Bank introduced various platforms to promote innovation across the country, including the annual Innovation Hub hackathon and the first innovation lab of its kind in Oman's banking sector, inspired by visits to the leading global Innovation Labs: Harvard University's Innovation Lab and Barclays Rise Lab. The Innovation Lab at OAB serves as an incubator and accelerator for local Fintech start-ups, students and the Bank's employees. The Bank also launched the first virtual innovation learning hub portal in Oman, and a six-month innovation internship programme for students.

The first edition of the "Innovation Hub" event was held in 2019 and attracted wide participation from various parts of the region. The second edition of the Innovation Hub was held virtually in March 2021, with over 550 fintech companies, students and the Bank's employees participating from various continents to develop innovative prototypes within 24 hours. Strategic partners included Visa, MasterCard, IDO Investments, Phaze Ventures, and several other local government bodies and private companies. Winning team members from the event were offered a six-month innovation internship and mentoring programme with the Bank to further develop the innovation culture.

Motivated talent pool

The Bank has a performance orientated work culture with clearly defined staff development programmes and succession plans, which attract and retain a motivated talent pool with the right skills. This is contributing positively to the process of change management within the Bank and facilitating its journey towards becoming a lean and agile digital bank.

Strong Islamic banking capabilities

AIB and, historically, Al Yusr, allows the Group to offer a wide range of Islamic banking products and services through its dedicated branches and corporate banking platform. As a completely segregated subsidiary, AIB stands alone from the conventional offering within the Group but benefits from the Bank's reputation, branding and customer loyalty. Moreover, AIB provides a platform to develop human resource expertise in Islamic banking by providing career opportunities to aspiring young talent in Oman and to build and maintain a premier brand through service excellence.

AIB is committed to Shari'a compliant innovative solutions to targeted customer segments. Its objective is to provide superior and innovative Shari'a compliant products to retail, SME and corporate customer segments.

AIB has a strong governance structure which includes ISRs, Shari'a audit, Shari'a compliance and Shari'a non-compliance risk. These functions are independent of the business and other controls and support units with the functional reporting line of ISR to the SSB.

CAPITAL STRUCTURE

As at 31 December 2020, the Bank's major shareholders (owning 10 per cent. or more) were:

	Percentage of total Bank shares
	(%)
Arab Bank	49.00
OMINVEST	31.64
Various parties, including trusts	19.36
	100.00

Arab Bank

Arab Bank held 49.00 per cent. of the Bank's share capital as at 31 December 2020. Arab Bank was established in 1930 and has one of the largest Arab banking branch networks in the world with over 600 branches spanning five continents. Arab Bank provides a wide range of financial products and services for individuals, corporations and other financial institutions. Arab Bank's products and services cover consumer banking, corporate and institutional banking and treasury services. Arab Bank's extensive network covers key financial markets including London, Dubai, Singapore, Geneva, Paris, Frankfurt, Sydney and Bahrain.

OMINVEST

OMINVEST held 31.64 per cent. of the Bank's share capital as at 31 December 2020. OMINVEST is the oldest and largest investment firm in Oman and is listed on the MSM. It currently operates around six strategic platforms including banking, insurance, leasing, real estate, investment banking and financial investments (public and private equity investments in growth sectors).

The rights of the Bank's shareholders are contained in the articles of association of the Bank and the Bank is managed in accordance with those articles and with the provisions of Omani law.

FINANCIAL REPORTING AND BUSINESS SEGMENTS

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

- *Retail Banking:* retail banking products and services to private customers/consumers including: current accounts, savings, deposits, investment savings products, credit and debit cards, consumer loans and mortgages;

- *Corporate Banking:* products and services to corporate and institutional customers including current accounts, deposits, overdrafts, loan and other credit facilities and foreign currency;

- *Treasury Division:* treasury products and services including bonds, placements, bank borrowings and foreign exchange;

Others: other central functions and head office; and

- *Islamic Banking:* provided through AIB (and historically, Al Yusr), Shari'a compliant Islamic banking products and services including ijarah, murabaha, mudarabah and diminishing musharakah.

Set out below is a summary of certain segmental financial information for the Bank as at and for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 and for the Group as at and for the year ended 31 December 2020.

31 December 2020 (consolidated / Group)

	Retail Banking	Corporate Banking	Treasury Division	Others	Islamic Banking	Total
			(RO'000)			
Net interest income	31,347	27,698	9,287	1,705	(12)	70,025
Net income from Islamic financing	-	-	-	-	10,103	10,103
Other operating income	7,907	8,119	2,871	-	2,020	20,917
Total operating income	**39,254**	**35,817**	**12,158**	**1,705**	**12,111**	**101,045**
Operating expenses (incl. depreciation)	(27,780)	(16,988)	(2,963)	(6,620)	(11,057)	(65,408)
Net impairment losses on financial assets	(1,529)	(15,455)	-	-	(704)	(17,688)
Tax expenses	-	-	-	(3,778)	-	(3,778)
Profit / (loss) for the year	**9,945**	**3,374**	**9,195**	**(8,693)**	**350**	**14,171**
Assets	**716,496**	1,**211,962**	**401,347**	**103,988**	**866,250**	**3,300,043**
Liabilities	**754,540**	1,**275,815**	**10,571**	**61,920**	**765,620**	2,**868,466**
Allowance for impairment	(12,413)	(59,781)	(97)	-	(32,023)	(104,314)

31 December 2020 (unconsolidated / Bank)

	Retail Banking	Corporate Banking	Treasury Division	Others	Islamic Banking	Total
			(RO'000)			
Net interest income	31,347	27,698	9,287	1,704	-	70,036
Net income from Islamic financing	-	-	-	-	993	993
Other operating income	7,907	8,119	2,873	-	596	19,495
Total operating income	**39,254**	**35,817**	**12,160**	**1,704**	**1,589**	**90,524**
Operating expenses (incl. depreciation)	(27,780)	(16,988)	(2,963)	(6,619)	(949)	(55,299)
Net impairment losses on financial assets	(1,529)	(15,455)	-	-	(148)	(17,132)

Tax expenses	-	-	-	(3,778)	-	(3,778)
Profit / (loss) for the year	**9,945**	**3,374**	**9,197**	**(8,693)**	**492**	**14,315**
Assets	**716,496**	**1,213,180**	**421,347**	**204,100**	**-**	**2,555,123**
Liabilities	**754,540**	**1,276,223**	**30,571**	**62,203**	**-**	**2,123,537**
Allowance for impairment	(12,413)	(59,781)	(96)	-	-	(72,290)

31 December 2019

	Retail Banking	Corporate Banking	Treasury Division	Others	Islamic Banking	Total
			(RO'000)			
Net interest income	26,493	36,004	7,362	2,426	-	72,285
Net income from Islamic financing	-	-	-	-	2,747	2,747
Other operating income	4,683	9,517	2,843	-	887	17,930
Total operating income	**31,176**	**45,521**	**10,205**	**2,426**	**3,634**	**92,962**
Operating expenses (incl. depreciation)	(27,219)	(16,552)	(2,923)	30	(2,001)	(48,665)
Net impairment losses on financial assets	(1,511)	(2,316)	-	(55)	(1,652)	(5,533)
Tax expenses	-	-	-	(6,208)	-	(6,208)
Profit / (loss) for the year	**2,447**	**26,653**	**7,282**	**(3,807)**	**(19)**	**32,556**
Assets	**720,133**	**1,149,911**	**388,468**	**73,136**	**165,479**	**2,497,127**
Liabilities	**561,785**	**1,292,571**	**31,465**	**95,253**	**147,212**	**2,128,286**
Allowance for impairment	(8,405)	(41,739)	(354)	-	(3,062)	(53,560)

31 December 2018

	Retail Banking	Corporate Banking	Treasury Division	Others	Islamic Banking	Total
			(RO'000)			
Net interest income	24,892	34,098	6,664	869	-	66,523
Net income from Islamic financing	-	-	-	-	1,947	1,947

Other operating income	6,023	9,208	2,832	-	1,111	19,174
Total operating income	**30,914**	**43,306**	**9,496**	**869**	**3,058**	**87,644**
Operating expenses (incl. depreciation)	(26,318)	(15,912	(2,735)	(196)	(1,798)	(46,960)
Net impairment losses on financial assets	(1,534)	(3,149)	(9)	-	(190)	(4,882)
Tax expenses	-	-	-	(5,662)	-	(5,662)
Profit / (loss) for the year	**3,063**	**24,245**	**6,752**	**(4,989)**	**1,070**	**30,140**
Assets	730,847	1,034,631	382,979	34,131	146,230	2,328,818
Liabilities	501,833	1,246,581	47,008	51,575	124,945	1,971,942
Allowance for impairment	(8,992)	(44,909)	(538)	-	(1,318)	(55,757)

RETAIL BANKING

As at 31 December 2020, Retail Banking assets amounted to RO 716.5 million and accounted for 28.0 per cent. of the Bank's total assets (compared to RO 720.1 million and 28.8 per cent. of the Bank's total assets as at 31 December 2019 and RO 730.8 million and 31.4 per cent. of the Bank's total assets as at 31 December 2018). As at 31 December 2020, Retail Banking assets accounted for 21.7 per cent. of the Group's total assets.

For the year ended 31 December 2020, Retail Banking generated total operating income of RO 39.3 million which accounted for 43.4 per cent. of the Bank's total operating income (compared to RO 31.2 million which accounted for 33.5 per cent. of the Bank's total operating income for the year ended 31 December 2019 and RO 39.2 million and 44.7 per cent. of the Bank's total operating income for the year ended 31 December 2018). As at 31 December 2020, Retail Banking's total operating income accounted for 38.8 per cent. of the Group's total operating income.

As at 30 December 2020, Retail Banking had 251,444 customers.

As at the date of this Offering Circular, the principal retail products and services offered by Retail Banking include:

Accounts

Retail Banking offers a wide range of deposit products including (i) current accounts, (ii) the Hasaad savings account (see description below), (iii) a child education savings plan, (iv) growth accounts, and (v) fixed deposit accounts. Retail Banking offers a variety of debit and credit cards connected to current accounts outlined further below.

Current Account

The current account is a day to day transaction account with a cheque book facility, debit card and free cash withdrawals and deposits and which is available in multiple currencies. Current accounts with a cheque book facility may be opened individually or jointly by Omanis and non-Omanis earning a minimum monthly salary of RO 500.

Hasaad Savings Account

The Hasaad savings account is a non-interest bearing savings account designed to offer customers increased chances of winning Retail Banking's monthly prize draws. The Hasaad savings account comes with a debit card and free cash withdrawal and deposits in multiple currencies as well as entry into monthly draws, mega draws and special prizes. A Hasaad savings account can be opened by Omanis and non-Omanis and prize draw entries are dependent on the monthly balance of the account.

Child Education Saving Plan

The child education saving plan is a flexible deposit plan designed to save for child education and requires monthly deposits of between RO 10 to RO 5,000. It offers a competitive interest rate and a bonus interest rate every three years as well as free entry into Retail Banking's Hasaad savings account prize draw and complimentary life insurance for parents with coverage of up to RO 50,000. Parents between 18 and 64 are eligible to apply for a child education saving plan provided their child is under 18.

Growth Account

The growth account is an interest-bearing savings account which comes with a debit card, free cash withdrawals and deposits. Any Omani or non-Omani individual over 18 may open a growth account.

Fixed Deposit Account

The fixed deposit account offers a fixed interest rate fixed for a period starting at one month up to five years with interest payable at the end of the term, semi-annually or annually and has multiple currency options. A fixed deposit account is available to current customers of Retail Banking both Omani and non-Omani.

Youth Account

The youth account is designed specifically for graduate students and is available to any Omani or non-Omani individuals aged between 18 and 24. By saving a monthly minimum balance in the account, Omantel customers enjoy free internet data up to 24GBs annually and have access to a variety of discounts and vouchers. It offers free entry into Retail Banking's Hasaad savings account prize draw.

Loans

Retail Banking offers a wide range of loan products including (i) the Al Dar home loan, (ii) the Markabati auto loan, and (iii) personal loans.

Al Dar Home Loan

The Al Dar home loan offers financing for the purchase of ready and under construction properties, land, renovation and self-construction. Loans may be taken for a tenure of up to 25 years at competitive rates with a special rate for Government and semi-Government employees and has special buy out options available for loans held with other banks. In addition, the customer may take a repayment holiday of up to 18 months during construction. Omani and non-Omani individuals over 18 may apply with a minimum monthly salary of RO 500 for Omanis and RO 1,500 for non-Omanis.

Markabati Auto Loan

The Markabati auto loan provides financing for new and used pre-owned vehicles with a tenure of up to ten years at a competitive interest rate. Retail Banking has relationships with leading auto mobile dealers in Oman to provide customers with the best offers. Omani and non-Omani individuals over 18 may apply with a minimum monthly salary of RO 325 for Omanis and RO 500 for non-Omanis.

Personal Loan

Retail Banking's personal loans are available for personal consumption and loan buy-outs and are offered for a tenure of up to ten years at a competitive rate with special rates available for Government and semi-Government employees. Retail Banking also offers instalment payment holidays on special occasions. Omani and non-Omani individuals over 18 may apply with a minimum monthly salary of RO 325 for Omanis and OMR 500 for non-Omanis.

Cards

Retail Banking offers a wide range of debit and credit cards including the (i) Elite Visa Infinite card, (ii) Platinum credit card, (iii) Gold credit card, (iv) Classic Visa credit card, (v) Internet Shopping card and (vi) a debit chip card.

Credit Cards

The Elite Visa Infinite card offers a variety of exclusive privileges including complimentary lounge access, reward points, complimentary limousine service, concierge services, discounts and value added deals across the region, free multi-trip travel insurance, purchase protection and extended warranties. Omani and non-Omani individuals over 18 may apply with a minimum monthly salary of RO 3,500 or a minimum deposit relationship with Retail Banking of RO 35,000. The Elite Visa Infinite card is free for life with no annual fee for Elite Banking customers.

The Platinum credit card offers credit limits of up to three times salary or income based on a fixed deposit and offers complimentary prime class lounge access at local airports, reward points and discounts across the region. Omani and non-Omani individuals over 18 may apply with a minimum monthly salary of RO 1,400.

The Gold credit card offers credit limits of up to three times salary or income based on a fixed deposit and offers reward points, free travel baggage lost and delay insurance and customised repayment options. Omani and non-Omani individuals over 18 may apply with a minimum monthly salary of RO 700.

The Classic Visa credit card offers credit limits of up to two times salary or income or based on a fixed deposit and offers flexible repayment options, discounts and reward points. Omani and non-Omani individuals over 18 may apply with a minimum monthly salary of RO 325.

The Internet Shopping card offers a safe, secure and convenient way to transact online and benefitting from pre-defined limits and pre-paid options.

Debit Card

Retail Banking's Visa debit chip cards are available in different categories offering personalised features and daily usage limits and include Oman's first contactless 'tap and go' technology which is currently accepted internationally and is expected to be accepted in Oman in the near future.

Card Promotions and OAB Rewards

Retail Banking's credit card customers are provided with periodic offers at a variety of retail outlets, spas, cinemas, hotels and restaurants. In addition, Retail Banking's rewards scheme offers a variety of travel, hotel and car rental rewards in over 150 countries. This loyalty programme for its credit card customers offers an array of privileges on card openings and on all international retail transactions on the relevant card. The amount of reward points offered varies depending on the card held and monthly spend.

Bancassurance

In addition, Retail Banking offers a variety of bancassurance products including motor insurance, health insurance, travel insurance, home contents insurance and comprehensive personal insurance to complement its range of retail banking products and services.

Elite Banking

Retail Banking's Elite Banking products and services are reserved for exclusive customers and offers a best in class banking experience centred around (i) Elite services, (ii) Elite benefits, and (iii) Elite Wealth Management.

Elite Services

Elite services provides Elite Banking customers with a dedicated relationship manager available at all times, premium service centres and lounges to conduct banking transactions privately, 24 hour call centre support and free SMS and internet banking.

Elite Benefits

Elite Banking customers can avail of a number of benefits including the Elite Infinite credit card free for life, preferential pricing on deposits and loans, discounted bank charges and safe lockers, unlimited complimentary lounge access at over 700 international airports, discounts and offers provided by Retail Banking and Visa Infinite, complimentary chauffer service from Muscat International Airport six times a year, personalised concierge services and free travel insurance, purchase protection and extended warranties with Visa Infinite.

Elite Wealth Management

Elite Banking customers have access to tailor made portfolios to suit each customer's investment needs, subscription access to initial public offerings, financing planning services and Bancassurance options including life and savings plans.

CORPORATE BANKING

As at 31 December 2020, Corporate Banking assets amounted to RO 1.2 billion and accounted for 47.5 per cent. of the Bank's total assets (compared to RO 1.1 billion and 46.0 per cent. of the Bank's total assets as at 31 December 2019 and RO 1.0 billion and 44.4 per cent. of the Bank's total assets as at 31 December 2018). As at 31 December 2020, Corporate Banking assets accounted for 36.7 per cent. of the Group's total assets.

As at 31 December 2020, Corporate Banking had 15,449 customers.

For the year ended 31 December 2020, Corporate Banking generated operating income of RO 35.8 million which accounted for 39.6 per cent. of the Bank's total operating income (compared to RO 45.5

million and 49.0 per cent. of the Bank's total operating income for the year ended 31 December 2019 and RO 52.0 million and 59.3 per cent. of the Bank's total operating income for the year ended 31 December 2018). As at 31 December 2020, Corporate Banking's total operating income accounted for 35.4 per cent. of the Group's total operating income.

The principal products and services offered by Corporate Banking include:

Project Finance

Corporate Banking has developed its capabilities in project financing over the last three decades as demonstrated by the leading roles it has undertaken in major projects. Corporate Banking believes it has made a significant contribution to the development of Oman's economy having financed a significant number of infrastructure, construction and development projects including oil and gas projects, hospitality and tourism, cement plants, highways, airports, harbours, power stations, water desalination plants and hospitals.

SMEs

Corporate Banking believes that SMEs play a vital role in developing the national economy and recognises that timely finance is key to making the most of business opportunities. As such, Corporate Banking offers innovative financial products tailored to each SME customer based on their business needs.

Corporate Banking provides necessary financial solutions for SMEs which cover: financial advisory services, working capital finance, term loans for capital expenditure, contracts and equipment finance, import and export finance.

Trade Finance

Corporate Banking is one of the most active banks in trade and project finance in Oman and derives its strength from its close association with Arab Bank and its access to their large number of branches globally (approximately 600 branches over 33 countries) (see "—*Competition and Competitive Strengths*—Strong synergies with OMINVEST and Arab Bank"). Corporate Banking offers a wide range of services in the following areas of trade finance:

- import documentary credit;
- export documentary credit;
- import documentary collection;
- export documentary collection;
- bank guarantee;
- customer guarantees;
- standby letters of credit;
- discount of documents drawn under confirmed letters of credit;
- post-export finance under Oman's Export Credit Guarantee Agency scheme; and
- letter of trust receipts.

For customers who are unable to visit the branch during banking hours in order to submit trade documents relating to an application for trade finance, Corporate Banking has introduced a 24/7 document drop box service which allows such customers to submit their trade documents supporting an application at a convenient time. This facilitates improved customer experience by allowing customers to focus on their core business.

Financial Institutions

Corporate Banking utilises its strong and long-standing relationships with international and domestic counterparties to assist its retail, corporate, and institutional customers in gaining access to international trade, payments, foreign exchange transactions, hedging instruments, and funding from the international market.

Cash Management

Corporate Banking has embarked on a number of initiatives to serve its customers in a more efficient and technology driven environment and as such, has tailor-made cash management services, which take into account evolving financial demands.

Corporate Internet Banking

In 2017, Corporate Banking launched a state of the art internet banking platform where corporate customers can perform numerous cash management functions. The platform allows for various types of payment, including salaries, as well as account information management, enterprise resource planning systems and many other key features.

Corporate Credit Cards

Corporate Banking's SMART commercial card is a flexible, secure and convenient product for companies to make payments to Government entities, business partners and service providers. The card can be issued as a physical plastic card or as a virtual card. The SMART commercial cards have additional features including maximum daily limits and a maximum number of daily transactions, the ability to limit transactions to Government transactions only and flexible credit limits. All companies having a corporate relationship with Corporate Banking may apply. Corporate Banking's Corporate MasterCard credit card is acceptable globally at over 36 million locations and all transactions are listed on the company's monthly business account statements which ensures a smooth expense claim process for employees. The card also comes packaged with a web portal for administration.

TREASURY

Treasury offers its customers a wide range of treasury products while protecting them against unforeseen risks in the treasury business. It is staffed by a highly experienced team supported by the Group's strategic partner Arab Bank.

As at 31 December 2020, Treasury assets amounted to RO 421.3 million and accounted for 16.5 per cent. of the Bank's total assets (compared to RO 388.5 million and 15.6 per cent. of the Bank's total assets as at 31 December 2019 and RO 383 million and 16.4 per cent. of the Bank's total assets as at 31 December 2018). As at 31 December 2020, Treasury assets accounted for 12.2 per cent. of the Group's total assets.

For the year ended 31 December 2020, Treasury's total operating income of RO 12.2 million and accounted for 13.4 per cent. of the Bank's total operating income (compared to RO 10.2 million and 11.0 per cent. of the Bank's total operating income for the year ended 31 December 2019 and RO 8.9 million and 10.2 per cent. of the Bank's total operating income for the year ended 31 December 2018).

As at 31 December 2020, Treasury's total operating income accounted for 12.0 per cent. of the Group's total operating income.

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

Foreign Exchange

Treasury caters to all foreign exchange requirements and clients with currency exposure who benefit from expert advice at competitive pricing on spot, forwards, swaps. Treasury also monitors clients' large currency orders on a 24/7 basis.

Money Markets

Treasury offers a wide range of deposit products on local currency and all other major currencies for various tenors alongside an array of interest rate hedging solutions.

Derivative and Hedging Solutions

Treasury offers a wide range of derivative products to help its clients manage risk arising on account of volatility in foreign currency and interest rates. Treasury has recently upgraded its system and can provide competitive pricing and quick turnaround for deal execution. Treasury's product offering includes vanilla currency options and interest rates swaps.

ALIZZ ISLAMIC BANK

Overview

AIB was incorporated in Oman as a public joint stock company on 5 September 2012 (in accordance with Sultani Decree No. 69/2012) to carry out banking activities in accordance with the principles of Shari'a. The CBO issued an Islamic banking licence to AIB on 5 September 2013 and it commenced operations on 30 September 2013. On 30 June 2020, AIB was acquired by the Bank and Al Yusr was transferred to AIB on 6 July 2020 (see "*Overview—AIB Acquisition and Al Yusr Transfer*" for further details).

As at 31 December 2020, AIB had 17 branches across Oman, including in Muscat, Wattaya, Al Khoudh, Nizwa, Sohar, Salalah, Athaibah, Barka, Ibra and Ma'abela and had 127 ATMs/CDMs. As at 31 December 2020, AIB had 378 employees.

The registered address of AIB is Alizz Tower, P.O. Box 753, PC 112, CBD Area, Ruwi, Muscat, Oman. AIB's website address is http://alizzislamic.com and its telephone number is +968 2416 6000.

AIB is regulated by the CBO and its SSB is entrusted with ensuring AIB's adherence to Shari'a in carrying out its activities.

Authorised and paid-up capital

As at 31 December 2020, the authorised share capital of AIB comprised 2,000,000,000 ordinary shares of RO 0.100 each and the issued and fully paid-up ordinary share capital of AIB comprised 1,395,000,000 ordinary shares of RO 0.100 each.

As at 31 December 2020, the Bank held 99.98 per cent. of AIB's shares, Arab Bank held 0.01 per cent. and OMINVEST held 0.01 per cent.

Financial Overview

AIB's loss for the year ended 31 December 2020 decreased 23.7 per cent. to RO 7.6 million from RO 10.0 million for the year ended 31 December 2019. For the year ended 31 December 2018, AIB recorded a profit of RO 2.0 million.

AIB's total assets as at 31 December 2020 increased 20.4 per cent. to RO 865.7 million from RO 718.8 million as at 31 December 2019, which represented an increase of 5.3 per cent. from RO 682.8 million as at 31 December 2018.

AIB's total owners' equity as at 31 December 2020 increased 43.4 per cent. to RO 100.6 million from RO 70.2 million as at 31 December 2019, which represented a decrease of 10.0 per cent. from RO 77.9 million as at 31 December 2018.

Core business segments and principal products

AIB's core business areas are: personal banking, wholesale banking, SME banking and wealth management (Tharwa).

Personal banking

AIB's personal banking offering includes accepting customer deposits, providing finance, credit cards and takaful.

AIB's personal deposit offering includes current accounts (based on the Islamic principle of qard-hassan), savings accounts (based on the Islamic principle of mudaraba), investment deposits (based on the Islamic principle of either mudaraba or wakala), the Bushra prize savings account and the Hasalti children's savings account.

AIB's personal finance offering includes auto finance (based on the Islamic principle of mudaraba), home finance to buy (based on the Islamic principle of ijarah), home finance to construct (based on the Islamic principle of forward ijarah), personal finance for goods (based on the Islamic principle of murabaha), personal finance for goods (based on the Islamic principle of service ijarah) and land finance (based on the Islamic principle of murabaha).

AIB also offers motor, domestic and travel insurance products (takaful) to personal banking customers.

Wholesale Banking

AIB's wholesale banking offering includes accounts and deposits, trade services, financing, investment banking, treasury, wage protection, post-dated cheques warehousing and telex transfer to corporate customers.

AIB's corporate accounts and deposits include the business current account (based on the Islamic principle of qard-hassan), the call investment account (based on the Islamic principle of mudaraba) and the term investment deposit (based on the Islamic principle of either mudaraba or wakala).

AIB provides trade finance facilities to its customers for the purpose of importing or exporting goods based on wakala or murabaha contracts. All Shari'a compliant goods can be exported or imported or locally purchased through trade finance. Trade finance products and services include, import and export letters of credit and documentary collection. In addition, AIB offers letter of guarantees based on the Islamic principle of kafalah.

AIB's principal corporate financing services are working capital finance, term finance and project finance. Working capital finance, based on the Islamic principles of ijarah, murabaha and diminishing musharakah, are provided to finance the purchase of equipment, merchandise or raw materials. Term financing may be either short-term or long term and is provided to finance a wide range of activities including projects, construction, capital expenditure, heavy equipment and commercial real estate. Term finance is provided based on Islamic principles of ijarah muntahia bittamleek (existing property), forward ijarah (property under construction), sale and leaseback, murabaha and diminishing musharakah. Project finance involves the financing of green field / brown field projects such as construction of hospitals, office complexes, power stations and refineries.

AIB offers corporate customers various treasury options. These range from Shari'a compliant foreign exchange services to capital market transactions.

SME banking

AIB offers entrepreneurs and SMEs an array of Shari'a-compliant products and services, through its branches and via a dedicated e-banking platform. AIB's SME offering includes accounts, finance, wage protection, post-dated cheques warehousing and telex transfer. AIB offers business savings accounts (based on the Islamic principle of mudaraba), current accounts, call deposits and term deposits. AIB's financing offering is available for a wide array of purposes including, asset financing, working capital and trade finance.

Wealth Management – 'Tharwa'

AIB has a team of experts to provide personalised wealth management solutions through dedicated relationship managers, exclusive banking channels (the Tharwa lounges) and specially designed retail deposits, financing and credits cards. Products and services include specialist term financing and high-value deposit accounts such as the izdihar savings account, wakala term investment deposits and wakala term investment deposits with advanced payment of anticipated profit and the Tharwa World Mastercard credit card.

KEY OPERATIONAL DIVISIONS

Banking Operations Group

The Banking Operations Group is responsible for all support services including, but not limited to, transaction processing, transformation and change management and control functions. The responsibilities of the Banking Operations Group include:

- processing the daily transactions of all the business divisions;
- credit administration of both the retail and corporate loan book of the Bank in terms of disbursements, credit control and reporting;
- overseeing the controls of the Board in terms of reconciliation, internal control and overall improvement.
- recovery and legal functions responsible for collections of non-performing assets of the Bank;
- managing projects and technology changes as part of the Bank's strategic transformation including change management, process improvements and automation in the Bank; and
- procurement and facility management.

Legal Department

The Legal Department's main duties are to:

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

Compliance Division

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

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

Internal Audit Division

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

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

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

The Bank's Chief Internal Auditor reports functionally to the Chair of the Audit Committee while administratively he reports to the Bank's Chief Executive Officer.

The Audit Committee meets frequently to review the work of the Internal Audit Division, challenge the Bank's management and to assess the overall control environment prevailing in the organisation. It reviews the reports presented by the Internal Audit Division and other bodies in its deliberations and offers guidance and direction in the area of risk management, including fraud and related controls. The Audit Committee reviews on a biannual basis the Audit Committee and Bank's 'Internal Audit Charter' and has approved a code of ethics policy for all internal auditors within the department. These are key to reinforce the organisational independence of internal audit and to establish their rules of engagement throughout the Bank. The Audit Committee approves the audit plan which contains sufficient flexibility to adapt to new emerging risks, changing circumstances, business strategy, products and services. The Audit Committee views a robust fraud management framework as a priority and has a zero tolerance towards fraud. Any type of fraud will not be tolerated under any circumstances and appropriate disciplinary action may be taken against any employee or external party involved if found guilty of committing fraud against the Bank.

The Audit Committee places high importance on the professional development of all internal audit staff to ensure that they are able to perform their duties to the highest level possible. Adequate financial and other resources are made available to the function and, in particular, to support the attainment of relevant qualifications and certifications in areas such as internal auditing, accounting, fraud, compliance and anti-money laundering, risk management, and information security.

BRANCH NETWORK AND PRODUCT DISTRIBUTION

Branches

As at 31 December 2020, the Group had a network of 54 conventional branches and 17 Islamic branches (which exclusively serve AIB customers) and five representative offices operating in Oman. The Group's branch network continues to be the principal channel through which retail and corporate customers conduct their banking business. As at 31 December 2020, the Group also had 179 ATMs, CDMs and FFMs and as at 31 December 2019, the Bank had 57 conventional branches seven Islamic branches, five representative offices and 152 ATMs, CDMs and FFMs.

Other distribution channels

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

- *Call centre 'Fil Khidma':* The Bank's customers can call its call centre 'Fil Khidma' 24 hours a day, seven days a week and AIB's customers can call its Islamic Banking call centre. Customers of both the Bank and AIB can choose self-service banking to access account and card information or speak to qualified, highly knowledgeable service representatives to avail a variety of services including: balance enquiry, utility bill payments, credit card payments, money transfer, account management requests, mobile top ups, transaction and credit limit management and updating bank records.

- *Internet and Mobile Banking:* Using OAB Online from an internet browser and/or the OAB Online mobile app, the Bank's customers can perform their day-to-day banking transactions, submit service requests, make inquiries and much more in a safe and secure manner, 24 hours a day, 7 days a week. OAB Online provides real time updates of balances and transactions for personal accounts, convenient money transfers, account and card transaction histories, secure transactions and account and credit card statements in pdf. Customers can also apply for a variety of services including cheque book requests, apply for loans, open new accounts, open fixed deposits accounts, make eStatement register requests and make eAdvice register requests.

- *SMS banking 'Tawasul':* The Bank's customers can also utilise the 'Tawasul' SMS banking service which provides free SMS alerts for banking transactions including balance enquiry, transaction history, utility bill payments and money transfer.

RISK MANAGEMENT

Effective risk management is of primary importance to the Bank. The Bank's risk management process evaluates, monitors and manages the risks associated with the businesses the Bank conducts in line with the defined risk appetite. The principal types of risks that the Bank faces are credit risk, liquidity risk, market risk (price risk, interest rate risk and currency risk) and operational risk. The Board defines risk limits and sets suitable policies in this regard for management of credit risk, liquidity risk as well as market risk in both the trading and the banking book of the Bank.

Risk management is carried out by the Risk Management Department in accordance with documented policies approved by the Board.

The Compliance and Risk Committee, comprising members from the Board, provides a forum for the review and approval of risk measurement methodologies, risk control processes and the approval of new products, including approval of loss given defaults and eligible collateral for ECL calculations. The Compliance and Risk Committee also reviews all risk policies and limits. The risk management control process is based on a detailed structure of policies, procedures and limits, and comprehensive risk measurement and management information systems for the control, monitoring and reporting of risks.

Corporate governance

The Bank attaches considerable importance to good corporate governance practices and the Board is committed to applying the highest standards of professional competence in all its activities. The Bank follows the guidelines of the CBO, the Basel Committee recommendations, and accounting and auditing standards. It also applies the CMA practices that match with the Bank's legal form. The Bank's corporate governance code provides a solid basis for an effective relationship between the Bank, the Board, its shareholders and other interest groups. The Bank reviews, develops and amends its corporate governance code from time to time, and whenever necessary, in order to keep pace with changes in the needs and expectations of the banking business. The Bank reports its compliance with its corporate governance code on an annual basis, where necessary detailing how each provision of the code has been implemented and, where relevant, where and why the Bank's senior management has adapted procedures that differ from the code.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from lending activities, investment activities and other assets in the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees.

Credit risk is one of the most significant risks for the Bank. The Bank has a robust credit risk framework and policies for each of the businesses it operates. The policies are aligned with the risk appetite and credit limits are set up based on the counterparty risk rating, industry sector, and in accordance with the guidelines of the CBO. Credit risk is actively managed and rigorously monitored against well-defined credit policies and procedures. Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The credit risk management and control are centralised in the credit risk management team, which is divided into corporate, financial institutions and retail groups. Credit risk in the corporate and financial institutions portfolio is primarily managed by the Credit Department while Retail Banking manages the credit risk in the retail portfolio. The Board Credit Committee has an oversight on the credit approvals with all approvals above a certain threshold to be approved by the Board Credit Committee.

The Risk Management Department reviews the credit risk independently and directly reports to the Compliance and Risk Management Committee. The risk management framework also includes policies with respect to problem recognition, early warning lists, watch lists, classification parameters and risk rating adjustments.

In view of the consequences of the COVID-19 pandemic, the Bank evaluated its lending criteria to maintain the quality of its financing portfolio by amending the industry limits to reflect the NPLs emanating from it, selectively lending to contracting and commercial real estate projects, establishing a risk control and governance unit within Corporate Banking, amending the delegation of authority for approving credit and credit related to operational aspects of corporates, seeking sovereign guarantees on certain public sector enterprises.

For further information regarding the Bank's credit risks, see Note 5.1 to the 2020 Financial Statements.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced. The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition, the Bank holds certain liquid assets as part of its liquidity risk management strategy.

The Bank manages the liquidity risk based on estimated maturities using the guidelines provided by the CBO for the estimates. The table at Note 41 of the 2020 Financial Statements sets out the cash flows receivable to and payable by the Bank under derivative and non-derivative assets and liabilities by estimated remaining maturities at the reporting date.

For information regarding the Bank's lending ratio, see Note 5.3 to the 2020 Financial Statements.

Market risk

The Bank takes on exposures to market risk which is the risk that the fair value or the future cash flows of the financial assets carried at fair value will fluctuate because of changes in market prices. Market risks arise from the open positions in interest rate, currency and equity products, all of which are exposed to changes in interest rates, credit spreads, equity prices and foreign exchange rates. The market risks are monitored by Treasury and the Risk Management Department. The Bank has proper risk management policies in place to ensure that interest risk, liquidity risk and foreign exchange risk are mitigated considering the macroeconomic indicators affecting the banking business.

Price risk

The Bank holds listed securities classified as held-for-trading to take advantage of short-term and capital market movements. All investment securities present a risk of loss of capital. The Bank controls this risk through a careful selection of securities in accordance with the investment management policy approved by the Board. The maximum risk resulting from financial instruments is determined by the carrying amount of the financial instruments. The Bank's market positions are reviewed periodically by its management.

The Bank's investments include equity securities which are publicly traded on the MSM. The Bank's equity and total comprehensive income for 2020 may decrease by 3.6 per cent. (compared to 2.5 per cent. in 2019 and 1.14 per cent. in 2018) due to a decrease by 10 per cent. in the MSM – 30 Index and the GCC market indices, with all the other variable held constant. AIB has no investment in equity securities publicly traded on MSM.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing assets and liabilities. The Bank is not excessively exposed to interest rate risk as its assets and liabilities are re-priced frequently. The ALCO monitors and manages the interest rate with the objective of limiting the potential adverse effects on the Bank's profitability. For further information regarding the Bank's exposure to interest rate risks, see Note 41 to the 2020 Financial Statements.

For managing its interest rate risk in the banking book the Bank stipulates limits on open interest rate sensitive gaps for maturities up to one year and also periodically calculates EaR impact on its NII from 100bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR limit is stipulated as a certain percentage of the NII of the Bank for the previous year. The EaR at 31 December 2020 was 2.6 per cent. (compared to 2.8 per cent. at 31 December 2019 and 2.5 per cent. at 31 December 2018).

Interest Rate Benchmark Reform

Interbank offered rates (**IBOR**s), such as the LIBOR, play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBORs has in recent years led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates (**RFRs**) and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

The majority of LIBOR and other IBORs are expected to be discontinued after 31 December 2021 and replaced with certain alternative reference rates, with the exception of certain USD LIBOR rates in respect of which cessation may be delayed until 30 June 2023.

IBOR reform exposes the Group to various risks. These risks include but are not limited to the following:

- conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform;
- financial risk to the Group and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable;

- operational risk arising from changes to the Group's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available; and

- accounting risk if the Group's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs.

Currency risk

Currency risk arises when the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure, the Bank enters into ready, spot and forward transactions in the inter-bank market in accordance with documented policies approved by the Board.

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and other assets and liabilities denominated in foreign currency. The Bank's management manages the risk by monitoring net open position in line with limits set by the management, approved by the Board, and entering into forward contracts based on the underlying commercial transactions with the customers.

Additionally, appropriate segregation of duties exist between the front and back office functions while compliance with the net open position is independently monitored on an ongoing basis by the management and ALCO.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events. The risk is associated with human error, systems failure, inadequate procedures or controls and external causes. Losses from external events such as a natural disaster that has a potential to damage the Bank's physical assets or electrical or telecommunication failures that disrupt business are relatively easier to define than losses from internal problems such as employee fraud and product flaws. The risks from internal problems are more closely tied to the Bank's specific products and business lines; they are more specific to the Bank's operations than the risks due to external events. Operational risks faced by the Bank include IT security, telecom failure, frauds, and operational errors.

The Bank's operational risk governance is set through policies, processes, procedures and oversight of the Risk Management Department. The Bank cannot eliminate all operational risks, however, the operational risk framework is set to identify, assess, monitor and control the risks through the three lines of defences. The Risk Management Department periodically conducts various assessment's to review risk exposures and implements controls to mitigate the operational risk profile, in accordance with the overall risk appetite. To ensure effective controls and building risk culture, operational risk awareness is scheduled annually across the Bank. Insurance is another tool used as an operational risk mitigant by the Bank. Insurance coverage such as Bankers' Blanket Bond (BBB), professional indemnity and cyber security aim to protect the bank from high severity risks by reducing the financial impact.

Management Risk Committee

The Management Risk Committee is the main committee for Bank's major risk including operational risk. The committee is composed of main business and control functions. The objectives of the committee is to review and oversee the Bank's risk profile and to put in place actions required to maintain the risk profile within the approved appetite.

Business Continuity Management

The Bank's business continuity plan addresses the inherent risks, which may lead unexpected business interruptions. The goal of the business continuity plan is to provide the ability to effectively respond to threats to protect the business interests and continue to operate following a significant unplanned event or major operational disruption. As a part of its crisis communication and business continuity management processes, the Bank has taken initiatives and proactive measures in meeting the contingency requirements always and especially during COVID-19. The Bank has taken proactive steps in light of the COVID-19 pandemic and its business continuity plan. The Bank has ensured the resilience to run the business critical processes during such contingency situation with the effective process in place and the management support.

The Bank has a disaster recovery site and remote working set up to meet any unforeseen disaster and maintain operational continuation in such event. The Bank has conducted business impact assessments, evacuation drills, tests (announced and unannounced), call trees, and has spread awareness within the Bank to ensure the efficacy of its business continuity planning.

Information Security

Information security is an essential component of risk management. The Bank seeks to avoid risk and uncertainty for its critical information assets and systems affecting the operations and the reputation of the Bank. It has an information security structure in place through security policies and procedures. The Bank has invested to implement robust security infrastructure and conducts periodic vulnerability assessments to ensure the security of the systems.

MANAGEMENT AND EMPLOYEES

BOARD

The Board has overall responsibility for the operations and the financial soundness of the Bank and ensures that the interests of shareholders, depositors, creditors, employees and other stakeholders (including the CBO) are met. The Board ensures that the Bank is managed prudently and within the framework of laws and regulations and the Bank's own policies. In addition, the Board sets the Bank's strategic goals as well as overseeing the senior management of the Bank. The day to day operation of the Bank is the responsibility of the senior management, but the Board as a whole ensures and certifies that internal control systems are effective and that the Bank's activities comply with the strategy, policies and procedures approved by the Board or as required by law or regulation. As a critical part of these internal controls, the Board ensures that all dimensions of the Bank's risk are managed properly.

The Board consists of nine members, as required by the Bank's corporate governance code, and the Board is elected by the AGM for a term of three years. The Board meets at least four times a year and during 2020, it met seven times. The Chairman of the Board is elected by the members of the Board.

As at the date of this Offering Circular, the composition of the Board is as follows:

Name of Director	Position	Year of Appointment	Appointment Expiration
Mr. Rashad Al Zubair	Chairman	23/10/1999	24/03/2022
Mr. Wahbe Tamari	Deputy Chairman	01/09/2016	24/03/2022
Ms. Randa Sadik	Director	21/10/2010	24/03/2022
Mr. Abdulaziz Al Balushi	Director	19/03/2014	24/03/2022
Mr. Walid Samhouri	Director	19/03/2014	24/03/2022
Mr. Imad Sultan	Director	16/06/2014	24/03/2022
Mr. Nasri Malhamé	Director	13/07/2020	24/03/2022
Mr. Ghassan Tarazi	Director	13/07/2020	24/03/2022
Mr. Yasir Aqil Badri	Director	14/12/2020	24/03/2022

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

Biographies of the Directors

Mr. Rashad Al Zubair - Chairman

Mr. Rashad Al Zubair was appointed Chairman in June 1999. He is also the chairman of The Zubair Corporation (Z-Corp), a leading business group in Oman, with business interests covering the automotive, energy and logistics, engineering, construction and contracting, financial services, manufacturing, real estate and hospitality industries. Before his appointment as Chairman of the Bank, he was president of Zubair Automatic and thereafter Group President of The Zubair Corporation for a number of years.

Mr. Al Zubair has held directorships (including the office of chairman) in several prominent joint stock companies. He was the deputy chairman of the Oman Business Council and one of the founding directors. Until recently, he was chairman of the Oman German Friendship Association and has also served as director of the CMA, the regulatory body of the Muscat Securities Market and is a member of the newly formed Oman Centre for Governance & Sustainability.

Mr. Wahbe Tamari - Deputy Chairman

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

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

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

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

Ms. Randa Sadik - Director

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

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

Mr. Abdulaziz Al Balushi - Director

Mr. Abdulaziz Mohammed Al Balushi is the Chief Executive Officer of OMINVEST which is the majority shareholder of the Bank.

Mr. Balushi was the chief executive officer of Ahli bank SAOG from 2007 to 2013 and was primarily responsible for converting a single product mortgage bank into a full-fledged commercial bank. He started his career with Oman International Bank and prior to joining Ahli bank, he was Deputy CEO of National Bank of Oman. Mr. Balushi holds a Master's of Science Degree in Finance from the University of Strathclyde (UK) and is a Fellow of the Chartered Institute of Bankers (UK). Mr. Balushi has served on various boards of companies across Oman including ONIC Holding, Al Ahlia Insurance Company, National Life Insurance, Oman Investment & Finance Company, Gulf Hotels Co. and as Advisory Board Member in the college of Agricultural and Marine Services at Sultan Qaboos University. He is currently the Chairman of Oman Electricity Transmission Company, a wholly government-owned entity. He is also a member "The British Scholarships of Oman", a local organisation that sponsors outstanding Omanis for post graduate studies in the U.K.

Mr. Walid Samhouri - Director

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

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

Mr. Imad Kamal Sultan - Director

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

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

Mr. Nasri Malhamé – Director

Serving as the Chief Executive Officer of Arab Bank (Switzerland) from 2009 to 2017, Mr. Malhamé is a board member of various entities, including Banque Du Crédit National-Lebanon, Arab Tunisian Bank, AB Fund Managers-Guernsey, Ubhar Capital-Oman and Chambre de commerce Arabo-Suisse, Geneva.

He has previously worked at B.A.I.I. Paris, an affiliate of BNP, after that he joined BNP Paribas-Geneva as an Executive Director in charge of Private Banking and Trade Finance for Southern Europe and the MENA region, and was appointed as a member of the Executive Committee in 2000.

Mr. Nasri holds a Ph.D. in Banking and Management from Université Paris Dauphine and has set up his own consultancy firm, NVM Consulting.

Mr. Ghassan Tarazi – Director

Mr. Ghassan Tarazi is Group Chief Financial Officer at Arab Bank. He has over 30 years of experience in the fields of banking, auditing and finance. Prior to joining Arab Bank, Mr. Tarazi was Audit Partner with KPMG.

Mr. Tarazi has been a board member of several entities over the years, including Arab Tunisian Bank – Tunisia, Arab National Bank – Saudi Arabia, and Europe Arab Bank – United Kingdom.

Mr. Tarazi holds an MBA degree from the University of Leuven, Belgium, and Bachelor's degree in Economics from Acadia University, Canada. He is a Certified Public Accountant and a Certified Bank Auditor from the United States.

Mr. Yasir Aqil Badri – Director

Mr. Yasir Badri is part of the Direct Investments team at Mubadala Investment Company – a sovereign investment arm of the Abu Dhabi government, managing a diverse portfolio of assets and investments worth more than USD 230 billion in the UAE and abroad.

Mr. Badri has been with Mubadala since 2009 and currently serves as a Vice President in the Financial Services unit, focused on executing Mubadala's investment strategy through fund, private, and public investments.

Prior to his role in Financial Services, Mr. Badri worked in the corporate Mergers and Acquisitions team, responsible for providing transaction execution support to multiple investment units at Mubadala. Before that, he worked in the financial risk management department under Mubadala's corporate treasury.

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

BOARD COMMITTEES

The Board is ultimately responsible for the conduct of the Bank's affairs but for greater efficiency, Board committees have been set up with formally delegated objectives, authorities, responsibility and tenure. The Board committees regularly report to the Board but do not substitute for the Board and its responsibilities.

Credit Committee

The Credit Committee comprises five non-executive directors, headed by the Chairman of the Board. The Credit Committee's main duties are to:

- review the credit policy of the Bank and to recommend any amendments thereto approved by the Board;
- review the Bank's credit and credit portfolio risk in coordination with the commitments and risk;
- review the requests for direct and indirect credit facilities to take the appropriate decision within the powers of the Credit Committee;
- study the execution of order or debts to be written off by the senior management of the Bank and take the appropriate decisions within the powers of the Credit Committee; and

- review credit authority of the Management Credit Committee of the credit and the Credit Committee on a regular basis or whenever the need arises, and raise the appropriate recommendations to the Board to approve any modifications.

Audit Committee

The Audit Committee comprises at least three non-executive directors. The Audit Committee's main duties are to:

- review and approve the scope, results and the extent of internal and external audit efficiency of the Bank;
- review any significant impact on the financial statements or accounting issues;
- review the internal control systems in the Bank;
- review accounting policies and ensure they comply with legislation and accounting standards and recommend any changes or modifications to the Board for approval;
- ensure the independence of the Internal Audit Division and ensure that appropriate resources and skills are available to maintain its independence, objectivity, efficiency, effectiveness and universality;
- recommend the appointment of external auditors to the Board and determine auditor fees;
- ensure the independence and objectivity of external auditors to the extent that they are carrying out their activities effectively, efficiency and comprehensively;
- meet separately with the external auditors and the Head of the Internal Audit Division at least once a year, without the presence of members of the Bank's senior management; and
- investigate excesses in the Bank's system of internal control, any instances of conflict of interest or lack of commitment to the Charter of Professional Conduct, manipulation or fraud.

Selection and Remuneration Committee

The Selection and Remuneration Committee comprises a minimum of three non-executive directors. The Selection and Remuneration Committee's main duties are to:

- recommend the appointment of the Chief Executive Officer to the Board and review salaries, bonuses and benefits;
- approve the appointment of members of the Bank's senior management (on the recommendation of the Chief Executive Officer), with the exception of the Head of the Internal Audit Division, Chief Compliance Officer, Chief Risk Officer and Legal Adviser, each of whom falls under the Board's scope;
- approve annual remuneration (including salaries and other features) for members of the Bank's senior management;
- review the Bank's remuneration policy and suggest recommendations to the Board, ensuring that bonuses and salaries are sufficient to attract and retain qualified candidates and benchmarking such bonuses and salaries against similar banks in the market as well as

implementing standards to measure the performance and evaluation for the Bank's senior management;

- review and monitor the Bank's human resources plan to ensure these take into consideration to Bank's needs and strategy;

- conduct interviews with members of the Bank's senior management who have completed their service in the Bank due to resignation, retirement or any other reason;

- ensure disclosure in the annual report of each Director's remuneration and ensure that salaries and benefits are paid during the year to the Bank's senior management;

- review and monitor the Bank's strategy and employment policies followed by the Human Resources Department;

- monitor the efficiency of the Bank's succession planning;

- review and monitor the Bank's Omanisation and determining jobs that can be filled by Omani staff within specified time periods;

- review bonus compensation practices and other related policies once a year;

- ensure ethical standards are instilled at all levels in the Bank;

- approve the appointment of external consultancy firms in respect of the Bank's staff including studying surveys, hierarchy, systems and other topics related to people management; and

- ensure the Bank is compliant with Omani labour laws and relevant laws as well as instructions and decisions of the CBO.

Compliance and Risk Committee

The Compliance and Risk Committee is comprised of three Directors and the Chairman of the Board. It also includes three of the Bank's senior management. The Compliance and Risk Committee's main duties are to:

- review the effectiveness of processes for monitoring the Bank's compliance with all laws and regulations;

- review changes or proposed changes in the legislative and regulatory environment and consider any changes required to the Bank's internal policies and controls;

- assist the Board in the formulation of, and extent and the limits of, acceptable risk levels; and

- adopt and review the general framework for risk management on a permanent basis including strategic, market, liquidity, credit, operational and reputational risks and recommend changes to the Board for approval.

SENIOR MANAGEMENT

In addition to the Board, the day-to-day management of the Bank's business is conducted by the Bank's senior management.

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

As at the date of this Offering Circular, the senior management of the Bank comprised:

- Rashad Al Musafir – Chief Executive Officer;
- Ganesh Chera Puram Balasubramanian – Deputy Chief Executive Officer (Chief Business Officer);
- Al Salt Al Kharusi - Head of Corporate & Institutional Banking Group;
- Rashad Al Shaikh – Head of Retail Banking Group;
- Sulaiman Al Hinai - Head of Treasury, Investments & Government Relations Division;
- Mansoor Al Raisi - Chief Compliance Officer;
- Asma Al Zadjali - Head of Banking Operations Group;
- Kartik Natarajan - Head of Strategy and Acting Chief Financial Officer;
- Abdullah Al Hooti – General Counsel;
- Faisal Al Balushi - Head of Corporate Support Services Division;
- Leen Khattar Al Attasi - Head of Innovation; and
- Ali Moosa - Head of Executive Office.

Biographies of Senior Management

Mr. Rashad Al Musafir - Chief Executive Officer

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

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

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

Mr. Al Musafir has been the Chairman of the National Aluminum Products Company (NAPCO) since March 2017. He was the Chairman of the Audit Committee of NAPCO between March 2014 and March

2017. He also formerly served as a board member in the Oman Tennis Association and was a member of the Finance, Banking and Insurance Committee at the Oman Chamber of Commerce and Industry.

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

Mr. Ganesh Chera Puram Balasubramanian – Deputy Chief Executive Officer (Chief Business Officer)

Mr. Balasubramanian joined the Bank in 2021 as Deputy Chief Executive Officer (Chief Business Officer). He has more than 30 years of banking experience; previously he worked as CEO and Executive Director of Al Ahli Bank (AUBL), UAE, and as Deputery CEO at Ahli Bank SAOG (ABO), Oman and other banks.

He holds a Master's degree in Bank Management (MBM) from Alagappa University, India, a Masters degree in Commerce (M.Com) from MK University, India and a Bachelor's degree of Commerce (B.Com) from Calicut University, India. He also holds certifications that include an Islamic Finance Qualification (IFQ) from CISI, UK and Certification in Islamic Finance (CIFE) from Ethica Institute.

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

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

Mr. Rashad Al Shaikh - Head of Retail Banking Group

Mr. Al Shaikh has been the Head of Retail Banking Group at the Bank since 15 January 2020 and has over 17 years of banking experience in various fields including corporate banking, project finance, investment banking and retail banking. He worked with a number of international banks on various mandates that have been concluded successfully in the area of advisory. Mr. Al Shaikh has a degree in Business Administration from University of Central Florida, Orlando, USA.

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

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

Mr. Kartik Natarajan - Head of Strategy and Acting Chief Financial Officer

Mr. Natarajan has been the Head of Strategy in the Bank since October 2018. He was formerly the Chief Financial Officer in the Bank from 2005 to October 2018. Since January 2021, he has been acting Chief Financial Officer.

Mr. Natarajan is a finance professional with over 25 years of experience in banking with expertise in planning and financial control. Mr. Natarajan previously served as Senior Manager in the Financial Control Division in National Bank of Oman from 1996-2005.

He is an Associate of Institute of Chartered Accountants of India and an Associate Cost Accountant in Institute of Cost Accountants of India. He holds a Bachelor's Degree in Commerce from Loyola College, India and Diploma in Computer Programming & Applications.

Mr. Mansoor Al Raisi - Chief Compliance Officer

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

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

Ms. Asma Al Zadjali - Head of Banking Operations Group

Ms. Al Zadjali was appointed Head of Banking Operations Group in May 2019. Holding a Master's in Business Administration from the University of Strathclyde, Ms. Al Zadjali has over 19 years of experience working in large companies and banks. In her time at the Bank, she has been instrumental in the centralisation of Retail Banking, Corporate Banking and Islamic Finance Credit Administration; thereby ensuring asset quality and bringing in the necessary changes to establish better control and improving the turnaround times.

She has also led the remedial, recovery and legal department teams, improving collection processes. Furthermore, she recently graduated from the National CEO Programme (NCP) in May 2018 as the only candidate from the banking sector and was one of only three female candidates to have passed the stringent entry criteria for the programme.

Mr. Salaam Said Salim AlShaksy - Chief Integration Officer

Mr. AlShaksy joined the Bank in 2020 as Chief Integration Officer. He has more than 34 years of banking and non-banking experience. He previously worked as CEO of Al Izz Islamic Bank, NBO, Dubai Group and other banks in Oman such as Dhofar Bank, Majan International Bank, Citibank Global Consumer Business (UAE), and at the Ministry of Education, Computer 2000 LLC and Shaksy Group of Companies.

He holds a Masters of Business Administration degree (High Honors) from the Graduate School of Management of Boston University, a Master of Science degree (Honors) in Management Information System from the Graduate School of Management of Boston University and a Bachelor of Arts degree (Cum Laude) in Economics from the College of Liberal Arts of Boston University. He also successfully completed the esteemed Senior Executive Program at London Business School.

Mr. Abdullah Al Hooti – General Counsel

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

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

Faisal Al Balushi - Head of Corporate Support Services Division

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

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

Ms. Leen Khattar Al Attasi - Head of Innovation

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

Ms. Al Atassi joined the Bank in September 2018 to lead the Bank's innovation strategy and initiatives across all business lines and to foster a solid innovation culture along with a programme that will enable the Bank to deliver a consistently superior customer experience. With a career spanning over 13 years in the banking industry, Ms. Al Atassi spent four years at National Bank of Oman, where she was Head of Corporate Communications, Change Management and CSR. Prior to this, Ms. Al Atassi worked at HSBC Bank Oman for eight years, serving in different roles in Human Resources, Corporate Communications, Marketing and CSR, where she spearheaded the communications strategy for the Bank prior to and during the merger and integration between Oman International Bank and HSBC Bank Middle East - Oman.

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

Mr. Ali Moosa - Head of Executive Office

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

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

KEY SENIOR MANAGEMENT COMMITTEES

Assets and Liabilities Management Committee (ALCO)

The members of the ALCO are appointed by the CEO and the committee comprises at least four members. The ALCO's main duties are:

- recommending policies to manage the Bank's market and liquidity risk;

- overseeing the Bank's interest rate risk management;

- overseeing the Bank's assets and liabilities management;
- monitoring the Bank's liquidity gap, interest rate sensitivity and liquidity ratios;
- providing suitable direction to treasury and other business units with regard to liquidity and liquidity contingency planning;
- monitoring, reviewing and approving the capital plan;
- monitoring, reviewing and approving the fund transfer pricing of assets and liabilities;
- monitoring and reviewing balance sheet management;
- reviewing the pricing of products and approving the pricing policy;
- monitoring the Bank's investment portfolio and making recommendations for adjustments in the composition and maturity profile of its investments based on the balance sheet position of the Bank and the market situation;
- approving liquidity management related investment proposals;
- approving Government bonds and sukuk investment proposals (RO 35 million maximum for individual transactions and up to CBO limits in aggregate);
- approving corporate bond proposals (RO 20 million maximum for individual transactions and up to CBO limits in aggregate); and
- ensuring compliance with risk policies and risk limits approved by the Board and regulatory limits set by the CBO.

Strategic Executive Committee

The members of the Strategic Executive Committee are appointed by the CEO. The Strategic Executive Committee's main duties are:

- reviewing the Bank's strategic plan and recommending it for approval by the Board;
- approving the strategic framework used for the execution of the Bank's strategy and the strategic initiatives for the Bank's business divisions;
- reviewing and approving the business plan and value proposition prepared by the business divisions;
- monitoring the progress of the strategic plan, reviewing issues arising in its execution and making necessary decisions to resolve such issues;
- reviewing reports on the strategic plan to the Board and making recommendations for approval; and
- reviewing annual performance to check the status of the Bank's strategic objectives during the year, identifying gaps and lessons learnt and providing input for the strategic plan for the next year.

Corporate Credit Committee

The members of the Corporate Credit Committee are appointed by the CEO and must comprise at least four members. The purpose of the Corporate Credit Committee is to approve and/or recommend credit recommendations and/or amendments and/or any related matters in respect of corporate facilities and approvals and/or exceptions in line with the credit approval delegation of authority set out within its terms of reference. The Corporate Credit Committee is also responsible for reviewing the corporate portfolio reports prepared by the Risk Management Division and aligning its credit strategies and corporate business strategies/lending policy on the basis of such reports.

Management Risk Committee

The members of the Management Risk Committee are appointed by the CEO. Its main duties are:

- reviewing and reporting on material breaches of the Bank's regulatory and internal risk limits and reviewing actions taken in order to prevent repeat occurrences;
- reviewing critical credit, market, operational and reputational risk related issues as and when required;
- reviewing the policies, processes and procedures to ensure all material business risks are properly identified and that appropriate systems of monitoring and controls are in place;
- approving and annually reviewing all product (assets and liabilities) programmes;
- ensuring the Bank meets all AML and CTF requirements;
- reviewing high and medium risk findings of the Internal Audit Division and external audit functions and the CBO and ensuring they are rectified promptly;
- recommending and reviewing the implementation of the Bank's internal controls and risk management;
- reviewing stress scenarios and the impact of unusual market conditions and recommending changes to the Bank's exposure, if required;
- reviewing material frauds and root causes analysis;
- monitoring and reviewing information security risks and business continuity preparedness; and
- any other items relating to emerging risks in the Bank.

Shari'a Supervisory Board

An independent SSB approves all AIB products and services. The SSB comprises three members who are scholars with knowledge and expertise in Islamic jurisprudence. No funds pertaining to AIB are invested in non-Sharia compliant assets or taken from any non-Shari'a compliant sources. The main roles and responsibilities of the SSB are:

- to approve AIB's products and services;
- to approve the standard agreements and contracts pertaining to AIB's financial transactions;

- to provide Shari'a opinions regarding the products introduced by AIB and issue fatwas on the questions and transactions submitted to it;

- to follow up AIB's operations and check its activities, to make sure that the concluded transactions are within the scope of AIB's approved products;

- to present and suggest possible Shari'a solutions for problems with financial transactions which make them inconsistent with the principles and provisions of Shari'a as well as find alternatives to products repugnant to Shari'a rules;

- to declare its objection to transactions repugnant to Shari'a as well and correct, stop or advise the relevant department to not repeat such transactions;

- to review reports of AIB's Shari'a Audit and Compliance Department concerning the audit of AIB's transactions and to what extent such transactions are compliant with the provisions of Shari'a and the fatwas and resolutions of AIB's board of directors;

- to ensure that the distribution of profits among shareholders and depositors and bearing of the loss are calculated in accordance with Shari'a principles; and

- to present an annual report to the general assembly of AIB encompassing the board of director's opinion about AIB's transactions and operations and the extent that its management has committed to relevant fatwas, decisions and directions.

Biographies of the SSB

Sheikh Dr. Essam Khalaf Al-Enezi - Chairman

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

Sheikh Nasser bin Yousef Al Azri - Member

Sheikh Al Azri is the Director of the Fatwa Department at the Ministry of Awqaf and Religious Affairs in Oman and an Interim Secretary at the Grand Mofti's Office. He is also an active member of several committees at the ministry responsible for mosques, zakat, Hajj, publications and book revision. Prior to his current appointment, he held a number of prestigious positions including Judge Assistant at the Ministry of Justice and Researcher in Islamic Affairs at the Ministry of Awqaf and Religious Affairs. Sheikh Al Azri received a High Diploma degree in Jurisprudence from the Institute of Shari'a Sciences in Oman.

Sheikh Dr. Ahmed Subhi Ahmed Ayadi - Member

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

Employees

As at 31 December 2020, the Group had 1,523 employees. As at 31 December 2020, the Bank had 1,145 employees, compared to 1,240 as at 31 December 2019 and 1,190 as at 31 December 2018.

As noted above, the Bank has embarked on a number of training and employee development programmes. The Bank continuously assesses its employees to identify suitable learning and development interventions to provide employees with the necessary skill sets and knowledge to provide the best customer experience. Four of the Bank's most prominent programmes are its 'Ta'heel' programme for junior staff, First Time Manager for potential managers, the 'Leadership Enhancement and Development' programme (**LEAD**) for emerging leaders (see further below), and the 'Executive Development Program' for top management. All of these programmes are aimed at developing the skills and capabilities of employees, and subsequently offering them an opportunity to take on greater responsibilities within the Bank.

In February 2019, the Bank announced the names for its third iteration of the LEAD Programme which is a personalised training platform designed to up-skill the new Omani generation to develop and instil real-life learning situations throughout the LEAD journey. LEAD is a programme that focuses on key elements, namely developing interpersonal skills, as well as developing the candidate's ability to co-ordinate, motivate and shape a team. This involves taking already high-performing, talented individuals and shaping them into future leaders of the banking sector. LEAD 3 highlights the importance of Artificial Intelligence (AI) and how it is applied in the banking sector. Apart from the scheduled modular sessions, LEAD delegates will be exposed to practical training as part of post LEAD activities, including managing projects of their choice.

In addition, the Bank's human resources department uses talent management solutions with significant investment in HR technology covering talent acquisition, staff services, motivational and employee retention programmes and learning management systems. To further boost a performance centric work environment, the Bank has launched an online performance management platform with constant feedback features as well as introducing incentive programmes for staff in key business areas.

The Bank has launched a number of Omanisation initiatives including a recruitment drive focused on young Omani nationals graduating in the IT sector. As at 31 December 2020, Oman nationals accounted for approximately 96 per cent. of the Bank's employees and 91 per cent. of the Group's employees.

SELECTED FINANCIAL INFORMATION

The following financial information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and the related notes thereto and the other information incorporated by reference in this Offering Circular.

The following tables set forth selected information extracted from

- in respect of the financial information as at and for the year ended 31 December 2018, from the 2019 Financial Statements; and

- in respect of the financial information as at and for the years ended 31 December 2019 and 31 December 2020 (both the unconsolidated financial information for the Bank and the consolidated financial information for the Group), from the 2020 Financial Statements.

Statement of Financial Position Data

The following table sets out the Bank's statement of financial position data as at 31 December 2020, 31 December 2019 and 31 December 2018 and the Group's statement of financial position data as at 31 December 2020.

	As at 31 December							
	2020		2020		2019		2018	
	RO'000	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*
	(Group / consolidated)		*(Bank / unconsolidated)*					
ASSETS								
Cash and balances with the CBO	220,975	574,756	173,652	451,669	179,664	467,306	194,801	506,677
Due from banks	72,782	189,306	70,995	184,658	50,802	132,136	91,272	237,398
Loans and advances and financing to customers	2,635,455	6,854,818	1,928,866	5,016,980	2,006,330	5,218,464	1,832,817	4,767,157
Investment securities	240,218	624,807	176,700	459,597	165,422	430,263	131,176	341,189
Investments in a subsidiary	-	-	107,144	278,682	-	-	-	-
Property and equipment	46,605	121,220	42,479	110,488	39,725	103,325	30,245	78,667
Goodwill...	6,505	16,920	-	-	-	-	-	-
Other assets	77,503	201,585	55,287	143,801	55,186	143,539	48,507	126,167
Total assets...	**3,300,043**	**8,583,412**	**2,555,123**	**6,645,875**	**2,497,129**	**6,495,033**	**2,328,818**	**6,057,255**
LIABILITIES								
Due to banks..	14,421	37,509	10,571	27,495	31,465	81,840	15,207	39,553
Deposits from customers	2,755,310	7,166,561	2,030,762	5,282,012	1,998,436	5,197,932	1,870,558	4,865,321
Other liabilities...................................	74,228	193,067	57,697	150,070	71,698	186,486	60,241	156,687
Subordinated debt................................	20,000	52,020	20,000	52,020	20,000	52,020	20,000	52,020
Taxation	4,507	11,723	4,507	11,723	6,687	17,393	5,936	15,440
Total liabilities	**2,868,466**	**7,460,880**	**2,123,537**	**5,523,320**	**2,128,286**	**5,535,671**	**1,971,942**	**5,129,021**
EQUITY								
Share capital..	166,941	434,214	166,941	434,214	134,620	350,147	134,620	350,147
Share premium	36,565	95,106	36,565	95,106	-	-		
Legal reserve	46,178	120,109	46,178	120,109	44,746	116,384	41,490	107,915
General reserve....................................	25,560	66,482	25,560	66,482	25,560	66,482	25,560	66,482
Subordinated debt reserve	20,000	52,020	20,000	52,020	16,000	41,616	12,000	31,212
Special reserve	3,837	9,980	3,837	9,980	3,915	10,183	3,915	10,183
Fair value reserve	(1,793)	(4,664)	(2,062)	(5,363)	(1,951)	(5,075)	(2,059)	(5,355)
Impairment reserve..............................	9,130	23,747	9,130	23,747	9,130	23,747	-	-
Retained earnings	52,606	136,828	52,884	137,550	64,270	167,168	68,797	178,940

	As at 31 December							
	2020		2020		2019		2018	
	RO'000	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*
	(Group / consolidated)		*(Bank / unconsolidated)*					
Total equity attributable to the equity holders of the Bank	**359,024**	**933,822**	**359,033**	**933,845**	**296,290**	**770,652**	**284,323**	**739,524**
Perpetual Tier 1 capital bonds	72,553	188,710	72,553	188,710	72,553	188,710	72,553	188,710
Total equity	**431,577**	**1,122,532**	**431,586**	**1,122,555**	**368,843**	**959,362**	**356,876**	**928,234**
Total equity and liabilities	**3,300,043**	**8,583,412**	**2,555,123**	**6,645,875**	**2,497,129**	**6,495,033**	**2,328,818**	**6,057,255**
Contingent liabilities and commitments	**470,678**	**1,224,233**	**402,692**	**1,047,402**	**720,029**	**1,872,795**	**785,370**	**2,042,747**

Statement of Comprehensive Income Data

The following table sets out the Bank's statement of comprehensive income data for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 and the Group's statement of comprehensive income data for the year ended 31 December 2020.

	For the year ended 31 December							
		2020		2020		2019		2018
	RO'000	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*
	(Group / consolidated)		*(Bank / unconsolidated)*					
Interest income	117,988	306,887	117,988	306,887	113,925	296,319	100,584	261,619
Interest expense	(47,963)	(124,752)	(47,952)	(124,723)	(41,640)	(108,306)	(34,061)	(88,593)
Net interest income	**70,025**	**182,135**	**70,036**	**182,164**	**72,285**	**188,013**	**66,523**	**173,026**
Net income from Islamic financing‡‡‡	10,103	26,278	993	2,583	2,747	7,145	-	-
Net fee and commission income	15,496	40,305	14,275	37,129	11,388	29,620	14,738	38,334
Net (loss) / income from investment securities	(134)	(349)	-	-	77	200	101	263
Other operating income	5,555	14,449	5,220	13,577	6,465	16,815	6,282	16,339
Total income	**101,045**	**262,818**	**90,524**	**235,453**	**92,962**	**241,793**	**87,644**	**227,962**
Operating expenses	(65,408)	(170,126)	(55,299)	(143,833)	(48,665)	(126,578)	(46,960)	(122,143)

‡‡‡ This was included within the 'net fee and commission income' of RO 14,135 thousand in the 2019 Financial Statements. In the 2020 Financial Statements 'net income from Islamic financing' was introduced as a new line item to segregate this from 'net fee and commission income'.

Net impairment losses on financial assets	(17,688)	(46,006)	(17,132)	(44,560)	(5,533)	(14,391)	(4,882)	(12,698)
Profit before tax	**17,949**	**46,686**	**18,093**	**47,060**	**38,764**	**100,825**	**35,802**	**93,121**
Income tax expense	(3,778)	(9,827)	(3,778)	(9,827)	(6,208)	(16,147)	(5,662)	(14,727)
Profit for the year	**14,171**	**36,859**	**14,315**	**37,233**	**32,556**	**84,678**	**30,140**	**78,394**
Other comprehensive expense:								
Items that will not be reclassified to profit or loss in the subsequent periods (net of tax):								
Equity investment at FVOCI – net change in fair value	(119)	(310)	(134)	(349)	108	281	(681)	(1,771)
Items that may be reclassified to profit or loss in subsequent periods (net of tax):		-						
Debt investments at FVOCI – net change in fair value	120	312	-	-	-	-	-	-
Debt investments at FVOCI – reclassified to profit or loss	(134)	(349)	-	-	-	-	-	-
Other comprehensive income / (expense) for the year	**(133)**	**(347)**	**(134)**	**(349)**	**108**	**281**	**(681)**	**(1,771)**
Total comprehensive income for the year	**14,038**	**36,512**	**14,181**	**36,884**	**32,664**	**84,959**	**29,459**	**76,623**
Earnings per share:								
Basic and diluted	0.006	0.016	0.006	0.016	0.02	0.05	0.02	0.05

Statement of Cash Flows Data

The following table sets out the Bank's statement of cash flows data for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 and the Group's statement of cash flows data for the year ended 31 December 2020.

	For the year ended 31 December							
	2020		**2020**		**2019**		**2018**	
	RO'000	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*
	(Group / consolidated)		*(Bank / unconsolidated)*					
Operating activities								
Profit before tax	17,949	46,685	18,093	47,060	38,764	100,825	35,802	93,121
Adjustments:								
Depreciation	6,880	17,895	6,136	15,960	5,812	15,117	4,052	10,539
Impairment of credit losses	17,688	46,006	17,132	44,560	5,533	14,391	4,928	12,818
Income from held to collect / held-to-maturity investments	(10,280)	(26,738)	(8,967)	(23,323)	(6,861)	(17,845)	(4,895)	(12,732)
Dividend Income	(71)	(185)	(71)	(185)	(189)	(492)	(346)	(900)
Loss on sale of property and equipment	39	101	39	101	31	81	9	23
Interest on subordinated debt	1,103	2,869	1,103	2,869	1,100	2,861	1,100	2,861
Change in fair value of financial assets at fair value through profit or loss	205	533	71	185	112	291	245	637
Operating profit before working capital changes	33,513	87,166	33,536	87,227	44,302	115,229	40,845	106,238
Loans and advances and financing to customers	(90,842)	(236,280)	(79,587)	(207,006)	(179,373)	(466,549)	(187,273)	(487,097)
Due from banks	7,000	18,207	7,000	18,207	-	-	(2,000)	(5,202)
Other assets	(5,328)	(13,858)	(1,823)	(4,742)	(6,680)	(17,375)	(2,226)	(5,790)
Deposits from customers	184,512	479,916	162,857	423,591	127,878	332,611	123,701	321,746
Other liabilities	(11,650)	(30,302)	(11,305)	(29,404)	3,999	10,401	2,548	6,627
Cash from / (used in) operations	**117,205**	**304,849**	**110,678**	**287,873**	**(9,874)**	**(25,683)**	**(24,355)**	**(63,347)**
Tax paid	(5,923)	(15,406)	(5,923)	(15,406)	(6,244)	(16,241)	(4,376)	(11,382)
Net cash from / (used in) operating activities	**111,282**	**289,443**	**104,755**	**272,467**	**(16,118)**	**(41,924)**	**(28,731)**	**(74,729)**

Investing activities								
Purchase of investments	(49,823)	(129,590)	(23,468)	(61,040)	(56,850)	(147,867)	(123,742)	(321,853)
Disposals and redemptions	16,819	43,746	8,388	21,817	22,207	57,760	130,051	338,263
Income from investments at amortised cost	10,280	26,738	8,967	23,323	6,861	17,845	4,895	12,732
Purchase of property and equipment	(9,528)	(24,782)	(9,074)	(23,601)	(6,759)	(17,580)	(4,877)	(12,685)
Proceeds from sale of property and equipment	2	5	2	5	47	122	1	3
Dividend income	71	185	71	185	189	492	346	900
Investment in a subsidiary	-	-	(19,500)	(50,720)	-	-	-	-
Net cash used in investing activities	**(32,179)**	**(83,698)**	**(34,614)**	**(90,031)**	**(34,305)**	**(89,228)**	**6,674**	**17,360**
Financing activities								
Proceeds of issuance of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	42,553	110,680
Interest on subordinated debt	(1,103)	(2,869)	(1,103)	(2,869)	(1,100)	(2,861)	(1,100)	(2,861)
Interest on Perpetual Tier 1 capital bonds	(5,516)	(14,347)	(5,516)	(14,347)	(5,534)	(14,394)	(2,325)	(6,047)
Issue expenses of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	(241)	(627)
Dividends paid	(14,808)	(38,516)	(14,808)	(38,516)	(14,808)	(38,516)	(14,808)	(38,516)
Net cash (used in) / from financing activities	**(21,427)**	**(55,732)**	**(21,427)**	**(55,732)**	**(21,442)**	**(55,771)**	**24,079**	**62,629**
Net (decrease) / increase in cash and cash equivalents	**57,676**	**150,013**	**48,714**	**126,704**	**(71,865)**	**(186,923)**	**2,022**	**5,260**
Cash and cash equivalents at the beginning of the year	178,501	464,281	178,501	464,281	250,366	651,202	248,344	645,943
Cash and cash equivalents from acquisition of AIB and disposal of Al Yusr	29,134	75,778	(6,639)	(17,268)	-	-	-	-
Cash and cash equivalents at the end of the year	**265,311**	**690,072**	**220,576**	**573,717**	**178,501**	**464,279**	**250,366**	**651,203**

Distributable Items

The Distributable Items as at 31 December 2020 were RO 52.9 million comprising primarily of retained earnings. In addition, the Bank also has RO 25.6 million general reserve and RO 20.0 million subordinated debt reserve which can be transferred to retained earnings at the discretion of the management. The subordinated debt reserve has been created as required by CBO guidelines and on maturity of the subordinated debt on 30 May 2021, this reserve can be transferred to retained earnings.

Selected Financial Ratios

The following table sets out selected financial ratios as at and for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 in respect of the Bank and as at and for the year ended 31 December 2020 in respect of the Group.

	As at / for the year ended 31 December			
	2020	**2020**	**2019**	**2018**
	% *(Group / consolidated)*	*%* *(Bank / unconsolidated)*	*%*	*%*
Profitability				
Return on shareholders' funds[(1)]	4.32	4.37	11.21	10.77
Return on total assets[(2)]	0.49	0.57	1.35	1.35
Cost to income[(3)]	64.73	61.09	52.35	53.58
Capital				
Tier 1 ratio[(4)]	14.52	14.43	14.31	15.25
CET 1 ratio[(5)]	11.95	11.09	11.28	12.00
Capital adequacy ratio[(6)]	15.4	15.3	15.20	16.54
Shareholders' funds to total assets[(7)]	10.88	14.05	11.87	12.21
Asset Quality				
Gross NPL Ratio[(8)]	4.51	4.85	3.59	2.73
Net NPL (CBO) Ratio[(9)]	2.44	2.86	2.11	1.54
Net NPL (IFRS 9) Ratio[(10)]	2.56	3.07	2.40	1.89
Provision coverage[(11)]	84.26	73.97	71.51	106.27
Liquidity				
Net financings to customers deposits[(12)]	95.65	94.98	100.40	97.98
Net financings to total assets[(13)]	79.86	75.49	80.35	78.70
Liquid assets to customer deposits[(14)]	17.33	20.05	18.90	21.70

Notes:

(1) Profit for the year divided by the average [(13)] total equity attributable to the equity holders of the Bank or Group, as applicable.

(2) Profit for the year divided by average[(13)] total assets.

(3) Operating expenses for the year divided by total income for the year.

(4) Tier 1 Capital divided by Risk Weighted Assets as at the relevant date.

(5) Common Equity Tier 1 Capital divided by Risk Weighted Assets as at the relevant date.

(6) Calculated in accordance with the CBO regulations, as presented in the Financial Statements.

(7) Total equity attributable to the equity holders of the Bank or Group, as applicable as at the relevant date divided by total assets as at the relevant date.

(8) Calculated in accordance with the CBO regulations and IFRS 9, as presented in the Financial Statements.

(9) Calculated in accordance with the CBO regulations, as presented in the Financial Statements[(14)].

(10) Calculated in accordance with IFRS 9, as presented in the 2020 Financial Statements.

(11) Total allowance for loan impairment and contractual interest not recognised as at the relevant date divided by total non-performing loans as at the relevant date.

(12) Net loans, advances and financing to customers as at the relevant date divided by deposits from customers as at the relevant date.

(13) Net loans, advances and financing to customers as at the relevant date divided by total assets as at the relevant date.

(14) Cash, balances with the CBO, due from banks, Government development bonds, Government sukuk and Treasury-Bills divided by customer deposits as at the relevant date.

Related Party Transactions

Management service agreement with a shareholder

The Bank has a management service agreement with Arab Bank, a shareholder. During the year ended 31 December 2020, the management fees in accordance with the agreement amounted to RO 57,500 (compared to RO 97,671 for 2019 and RO 90,420 for 2018).

Other related parties transactions

In the ordinary course of business, the Group and the Bank conduct transactions with certain of their Directors and / or shareholders and companies over which they are able to exert significant influence on mutually agreed terms with the approval of the Board.

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

	Major shareholders	**Others**	**Total**
		RO'000	
2020 ***(Group / consolidated)***			
Loans and advances	24,014	95,602	119,616
Other assets	-	-	-
Customers' deposits	31,429	34,739	66,168
Due from banks	3,560	-	3,560
Due to banks	7,039	20,000	27,039
Stand by line of credit	38,500	-	38,500
Letters of credit, guarantees and acceptances	95,890	1,455	97,345

	Subsidiary	**Major shareholders**	**Others**	**Total**
			RO'000	
2020 ***(Bank / unconsolidated)***				
Loans and advances	452	24,014	83,344	107,810
Customers' deposits	88	31,429	33,654	65,171
Due from banks	20,000	3,560	-	23,560
Due to banks	-	7,039	-	7,039
Stand by line of credit	-	38,500	-	38,500
Letters of credit, guarantees and acceptances	-	95,890	1,455	97,345

	Major shareholders	**Others**	**Total**
		RO'000	
2019			
Loans and advances	-	76,431	76,431
Interest and other receivable	5,640	-	5,640
Customers' deposits	4,277	46,135	50,412
Due from banks	15,836	-	15,836
Due to banks	1,434	-	1,434
Stand by line of credit	38,500	-	38,500
Letters of credit, guarantees and acceptances	136,786	4,800	141,586

	Major shareholders	**Others**	**Total**
		RO'000	
2018			
Loans and advances	6,004	60,888	66,892
Customers' deposits	1,624	32,375	33,999
Due from banks	33,460	-	33,460
Due to banks	878	-	878
Stand by line of credit	48,125	-	48,125
Letters of credit, guarantees and acceptances	155,661	3,615	159,276

None of the loans and advances given to related parties were identified by the Group as impaired for the year ended 31 December 2020 or by the Bank as impaired for the years ended 31 December 2020, 31 December 2019 and 31 December 2018. In accordance with IFRS 9, ECL provision (consolidated) amounting to RO 785,900 was recognised by the Group for the year ended 31 December 2020. In accordance with IFRS 9, ECL provision (unconsolidated) amounting to RO 711,954 was recognised by the Bank for the year ended 31 December 2020 (compared to RO 368,920 for the year ended 31 December 2019).

Directors' remuneration and the remuneration of other members of key management of the Group during the years ended 31 December 2020, 31 December 2019 and 31 December 2018 were as follows:

	For the year ended 31 December		
	2020	**2019**	**2018**
		RO'000	
Directors' remuneration	198	79	177
Salaries and other short-term benefits	1,177	1,287	923
End of service benefits	11	39	26

Alizz Islamic Bank

For summary financial data in respect of AIB, please see "*Description of the Group—Alizz Islamic Bank—Financial Overview*".

FINANCIAL REVIEW

The following discussion contains an analysis of:

- *the audited results of operations of the Bank as at and for the years ended 31 December 2020, 31 December 2019 and 31 December 2018;*

- *the unaudited results of operations of the Bank as at and for the three months ended 31 March 2021 and 31 March 2020;*

- *the unaudited results of operations of the Group as at and for the three months ended 31 March 2021; and*

- *the audited results of operations of the Group as at and for the year ended 31 December 2020.*

The financial data disclosed in this financial review should be read in conjunction with the Financial Statements and the related notes thereto. Unless otherwise specified, the financial data discussed below has been extracted without material adjustment from the Financial Statements and the related notes thereto, in this Offering Circular.

OVERVIEW

The Bank was incorporated in Oman on 1 October 1984 as a closed joint stock company following the acquisition of Arab Bank's branches in Oman. On 6 July 2020, the Bank was listed on the Muscat Securities Market and consequently the name was changed from Oman Arab Bank SAOC to Oman Arab Bank SAOG.

The Bank is principally engaged in commercial banking activities through a network of branches in Oman. The Bank operates in Oman under a banking licence issued by the CBO and is covered by its deposit insurance scheme. The registered address of the Bank is North Al Ghoubra, P.O. Box 2240, Al-Udhayabah, Postal Code 130, Muscat, Oman. The Bank's website address is http://www.oman-arabbank.com and its telephone number is +968 24754444 (contact centre) / +968 24754000 (head office).

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

As at 31 December 2020, the authorised ordinary share capital of the Bank comprised 2,000,000,000 ordinary shares of RO 0.100 each. Before the AIB Acquisition, the Bank had 1,346,200,000 issued, subscribed and fully paid equity shares of RO 0.100 each. On 30 June 2020, the Bank issued 323,210,000 additional equity shares to the shareholders of AIB as consideration for the AIB Acquisition (for further information see "—*AIB Acquisition and Al Yusr Transfer*"). As a result, as at 31 December 2020, the Bank had 1,669,410,000 issued, subscribed and fully paid equity shares of RO 0.100 each. As at 31 December 2020, the shareholders of the Bank were: Arab Bank (49.00 per cent.), OMINVEST (31.64 per cent.) and other parties, including trusts (19.36 per cent.).

As at 31 December 2020, the Bank had 54 conventional banking branches and 155 conventional banking ATMs and CDMs in high footfall locations across Oman that are supported by Arab Bank's 600 branches spanning five continents and AIB's 17 Islamic banking branches and 27 Islamic banking ATMs and CDMs (see "—*Competition and Competitive Strengths*—Strong synergies with OMINVEST and Arab Bank").

For financial reporting purposes, the Group's business activities are classified within the following segments: (i) Retail Banking; (ii) Corporate Banking; (iii) Treasury; (iv) others (head office and other central functions); and (v) Islamic Banking (provided through AIB) (see "—*Financial Reporting and Business Segments*").

Financial Overview

The Bank's profit for the year decreased by 56.0 per cent. to RO 14.3 million for the year ended 31 December 2020 from RO 32.6 million for the year ended 31 December 2019, which represented an increase of 8.0 per cent. from RO 30.1 million for the year ended 31 December 2018. The Group's profit for the year amounted to RO 14.2 million for the year ended 31 December 2020.

The Bank's total assets increased by 2.3 per cent. to RO 2.6 billion as at 31 December 2020 from RO 2.5 billion as at 31 December 2019, which represented an increase of 7.2 per cent. from RO 2.3 billion as at 31 December 2018. The Group's total assets amounted to RO 3.3 billion as at 31 December 2020.

The Bank's total equity attributable to equity holders of the Bank increased by 21.2 per cent. to RO 359.0 million as at 31 December 2020 from RO 296.3 million as at 31 December 2019, which represented an increase of 4.2 per cent. from RO 284.3 million as at 31 December 2018. The Group's total equity attributable to equity holders of the Bank amounted to RO 359.0 million as at 31 December 2020.

As per the CBO guidelines, the Bank was required to maintain its capital adequacy ratio at a minimum of 13.5 per cent. of risk weighted assets. The Bank's total capital adequacy ratio (calculated in accordance with the CBO guidelines) as at 31 December 2020 was 15.26 per cent., as at 31 December 2019 was 15.20 per cent. and as at 31 December 2018 was 16.54 per cent. The Group's total capital adequacy ratio (calculated in accordance with the CBO guidelines) as at 31 December 2020 was 15.42 per cent. The Bank's Tier 1 capital ratio was 14.43 per cent. as at 31 December 2020, 14.31 per cent. as at 31 December 2019 and 15.25 per cent. as at 31 December 2018. The Group's Tier 1 capital ratio was 14.52 per cent. as at 31 December 2020.

SIGNIFICANT FACTORS AFFECTING RESULTS OF OPERATIONS

The Group's and the Bank's revenues and results of operations during the periods under review have been affected by the following factors:

Economic conditions

Economic Environment in Oman

The Bank is an Omani bank focused on lending to, and accepting deposits from, institutions, companies and residents in Oman. As a result, its revenues and results of operations are principally affected by economic and market conditions in Oman.

Like other GCC states, Oman's economy is largely driven by oil and gas activity. However, with fewer and more complex hydrocarbon reserves than other GCC states combined with volatility in oil prices, the Omani economy is under greater pressure to diversify its economic base. For further details on the Omani economy's dependence on oil and gas activities, the decline in oil revenues and the Government's budget deficit, see "*Overview of the Sultanate of Oman—Economic Overview*".

In connection with Oman's Article IV IMF Consultation concluded in July 2019, the IMF noted that the Omani banking system remains sound and features high capitalisation, low NPLs as well as strong liquidity buffers. Moreover, the IMF noted that private sector credit growth has somewhat moderated and interest rates have increased due to U.S monetary policy normalisation.

As at the date of this Offering Circular, the most recent long-term foreign and local currency sovereign rating assigned to Oman by Moody's is Ba3 (outlook negative), by S&P is B+ (outlook stable) and by Fitch is BB- (outlook negative).

Impact of COVID-19

The World Health Organization officially declared the outbreak of COVID-19 as a global pandemic on 11 March 2020. The economic environment and business landscape of the banking industry has witnessed rapid changes as a result of the outbreak of COVID-19 coupled with a significant decline in global crude oil prices in April 2020. The consequent tightening of market conditions, lockdowns, restrictions on trade and movement of people imposed around the world have caused significant disruptions to businesses and economic activities globally and across industries and sectors.

Governments and regulatory authorities across the globe have implemented several measures to contain the impact of the spread of the virus. In line with this, the CBO, also instituted a host of measures to protect the stability of the country's economy.

The Group's assessment of significant increase in credit risk (**SICR**) and the measurement of ECLs are based on reasonable and supportable information available without undue cost or effort. In assessing forecast conditions, consideration is given both to the effects of COVID-19 and the Government support measures being undertaken. Relief measures, such as payment holidays, do not automatically lead to loans being measured on the basis of lifetime losses and considerable judgment is used to measure ECLs. When it is not possible to reflect such information in the models, post-model overlays or adjustments are considered. In assessing its SICR and ECLs, the Bank is broadly consistent with the guidelines issued by other regulators including those issued by the CBO. For further information regarding the CBO's IFRS 9 guidelines, see Note 5.1.4.3 of the 2020 Financial Statements and for further information on the impact on SICR, see Note 5.1.4.4 of the 2020 Financial Statements.

The Bank has an IFRS 9 Working Group which is primarily responsible for overseeing the Bank's adequacy on ECL. It closely monitors the impact of COVID-19 and continuously reviews the Bank's portfolio, including reviewing individually significant exposures in industries and sectors directly impacted by COVID-19. SME customers are evaluated based on the stability of the business owner and business and any short term cash flow mismatches are supported by the Bank.

A considerable portion of the Bank's retail portfolio comprises Omani nationals employed in the Government sector. This segment has been, and is expected to largely remain, shielded from job cuts and salary reductions resulting from COVID-19. Retail lending to private sector employees has witnessed significant disruption in the short to medium term due to COVID-19 and could result in potential credit issues (see "—*Non-performing loans*" below). The Bank is fully committed to help its customers through this turbulent period as directed by the CBO. The Bank has continued to support its customers and partners through well-executed business continuity plans, in addition to adopting health and safety measures announced by the Supreme Committee of Oman which has been entrusted with finding mechanisms for dealing with developments resulting from the COVID-19 pandemic. The Bank continually reviews its precautionary and administrative measures in response to changes on the ground.

Non-performing loans

The Bank's Gross NPL Ratio increased to 4.85 per cent. as at 31 December 2020 compared to 3.59 per cent. as at 31 December 2019 and 2.73 per cent. as at 31 December 2018. The Group's Gross NPL Ratio was 4.51 per cent. as at 31 December 2020.

The Bank's Net NPL (CBO) Ratio increased to 2.86 per cent. as at 31 December 2020 compared to 2.11 per cent. as at 31 December 2019 and 1.54 per cent. as at 31 December 2018. The Group's Net NPL (CBO) Ratio was 2.44 per cent. as at 31 December 2020.

The Bank's Net NPL (IFRS 9) Ratio increased to 3.07 per cent. as at 31 December 2020 compared to 2.40 per cent. as at 31 December 2019 and 1.89 per cent. as at 31 December 2018. The Group's Net NPL (IFRS 9) Ratio was 2.56 per cent. as at 31 December 2020.

CBO regulatory guidelines

The CBO's regulatory guidelines issued in 2012 reduced the debt burden ratio for individuals (the ratio of equated monthly instalment to borrowers' income) from 65 per cent. to 50 per cent. The Bank is required to undertake diligence to ensure that this limit is not surpassed when entering into new financing agreements. The CBO guidelines also:

- reduced the permitted interest rate cap on financing from banks to individuals from 8 per cent. to 6 per cent.;
- reduced the Bank's lending limit (excluding mortgages) from 40 per cent. to 35 per cent. of gross financing;
- limited the tenor of unsecured financing to individual clients to a maximum of 10 years; and
- limited the services charges on insurance premium charged to the customers.

These guidelines have had a negative impact on the Bank's retail earnings since 2012. See "*Oman Banking System and Prudential Regulations*".

In March 2018, the CBO issued a range of regulatory amendments which are expected to strengthen the capacity of the banks operating in Oman to continue providing liquidity and granting credit to various projects which, in turn, is expected to stimulate economic growth, including:

- *Capital Adequacy* – capital adequacy ratio reduced from 12 per cent. to 11 per cent, by reduction to Tier 2 capital requirements;
- *Lending Ratio* – local inter-bank net borrowing to be included in the lending ratio calculation. This will have the impact of extending more credit by the banking sector;
- *Risk Weighted Assets* – removed the regulatory restrictions imposed on the risk weights to claims on sovereign and central banks. This requirement will enable banks to invest surpluses in good quality sovereign debts;
- *Maturity Adjusted Liabilities* – increased the limit for the required liquidity gap maturities (as a percentage of cumulative liabilities) on all currencies from -15 per cent. to -20 per cent. for the 3 to 6 month and -25 per cent. for 6 to 12 month maturities. This is aimed at reducing the funding costs of banks from present levels; and
- *Non-Resident Limit* – increased the limit of credit exposure to non-residents and placement of banks' funds abroad to banks' local net worth from 50 per cent. to 75 per cent. This regulation will enable banks to invest their surplus foreign currencies in good overseas credits.

In 2020, the CBO issued various guidelines to help address the ongoing stress in the economic environment as a result of COVID-19 and low oil prices. These guidelines include offering deferrals on loans to corporate and retail customers who have been and/or are affected by the COVID-19 pandemic. As at the date of this Offering Circular, this loan deferment programme remains active. The CBO also emphasised that banks should offer restructuring of facilities in order to defer customer cash flows to a future date thereby enabling businesses to recover from their current situation. However, these deferrals are expected to impact the banking sector in Oman as the cash inflows become prolonged, with no change in obligatory cash outflows, resulting in mismatches.

In order to ease the cash flow mismatch, the CBO relaxed certain regulatory ratios, which include:

- increase in lending ratio requirements from 87.5 per cent. to 92.5 per cent.;
- reduction in LCR requirement to 70 per cent.;
- reduction in CAR requirement from 13.5 per cent. to 12.25 per cent.;
- reduction in repo rate to 50 bps;
- increase in investment limit in Government development bonds from 45 per cent. to 50 per cent.;
- suspension of the computation of additional provisions as per CBO norms for the financial year 2021; and
- suspension of the Significant Increase in Credit Risk (SICR) criteria assessment for additional accounts for the financial year 2021.

RECENT DEVELOPMENTS

On 11 May, 2021, the Group published the Interim Financial Statements, which have not been audited. The following discussion is based on the financial information for the Group and the Bank included in the Interim Financial Statements.

Total income

The following table sets out the principal components of the Bank's total income for the three months ended 31 March 2021 and 31 March 2020.

	For three months ended 31 March				**Percentage change**
	2021		**2020**		**2021/2020**
	RO'000	*USD'000*	*RO'000*	*USD'000*	*%*
Interest income	29,482	76,683	30,131	78,371	(2.2%)
Interest expense	(13,544)	(35,228)	(10,988)	(28,580)	23.3%
Net interest income	**15,938**	**41,455**	**19,143**	**49,791**	**(16.7%)**
Net income from Islamic financing	-	-	937	2,437	(100.0%)
Net fee and commission income	3,762	9,785	2,767	7,197	36.0%
Net investment income	29	75	26	68	11.5%
Other operating income	905	2,354	1,666	4,333	(45.7%)
Total income	**20,634**	**53,669**	**24,539**	**63,826**	**(15.9%)**

The Bank's total income for the three months ended 31 March 2021 decreased by 15.9 per cent to RO 20.6 million from RO 24.5 million for the three months ended 31 March 2020. This decrease was principally a result of the increases and decreases in the line items as set out below.

The Group's total income for the three months ended 31 March 2021 amounted to RO 26.7 million, which included the following income from AIB: net income from Islamic financing amounting to RO 5.0 million; net fee and commission income amounting to RO 1.0 million; and other operating income amounting to RO 89,000.

Interest income

The Bank's interest income for the three months ended 31 March 2021 decreased by 2.2 per cent. to RO 29.5 million from RO 30.1 million for the three months ended 31 March 2020.

The decrease from the three months ended 31 March 2020 to the three months ended 31 March 2021 was principally a result of a 1.8 per cent. decrease in interest income from loans and advances to customers to RO 27 million for the three months ended 31 March 2021 from RO 27.5 million for the three months ended 31 March 2020. In addition, for the three months ended 31 March 2021 compared to the three months ended 31 March 2020, the Bank's amounts deposited with banks decreased by 79.5 per cent. to RO 0.1 million from RO 0.5 million. This was partially offset by the increase in interest income from Oman Government developments bonds and sukuk by 11.9 per cent. to RO 2.3 million from RO 2.1 million.

Interest expense

The Bank's interest expense for the three months ended 31 March 2021 increased by 23.3 per cent. to RO 13.5 million from RO 11.0 million for the three months ended 31 March 2020.

The increase in the Bank's interest expense for the three months ended 31 March 2021 compared to the three months ended 31 March 2020 was principally a result of:

- a 18.0 per cent. increase in interest expense on time deposits to RO 10.1 million from RO 8.6 million;
- a 38.7 per cent. increase in interest expense on call accounts to RO 1.7 million from RO 1.2 million;
- a 64.7 per cent. increase in interest on bank borrowings to RO 0.5 million from RO 0.3 million; and
- a 41 per cent. increase in interest expense on savings accounts to RO 0.8 million from RO 0.5 million for the three months ended 31 March 2020.

Net interest income

The Bank's net interest income for the three months ended 31 March 2021 decreased by 16.7 per cent. to RO 15.9 million from RO 19.1 million for the three months ended 31 March 2020. This decrease was principally a result of the decrease in interest income coupled with the increase in interest expense, as set out above.

Net income from Islamic financing

As a result of the Al Yusr Transfer, the Bank reported no income from Islamic financing for the three months ended 31 March 2021.

Net fee and commission income

The Bank's net fee and commission income for the three months ended 31 March 2021 increased by 36.0 per cent. to RO 3.8 million from RO 2.8 million for the three months ended 31 March 2020. This increase was principally a result of a 20.3 per cent. increase in fee and commission income to RO 4.1 million for the three months ended 31 March 2021 from RO 3.4 million for the three months ended 31 March 2020, in addition to a 48.1 per cent. decrease in fee and commission expense to RO 0.3 million for the three months ended 31 March 2021 from RO 0.6 million for the three months ended 31 March 2020.

The Group's net fee and commission income for the three months ended 31 March 2021 amounted to RO 4.7 million.

Net investment income

The Bank's net investment income for the three months ended 31 March 2021 increased by 11.5 per cent. to RO 29,000 from RO 26,000 for the three months ended 31 March 2020.

Other operating income

The Bank's other operating income for the three months ended 31 March 2021 decreased by 45.7 per cent. to RO 0.9 million from RO 1.7 million for the three months ended 31 March 2020. This decrease was principally a result of a 47.9 per cent. decrease in exchange income to RO 0.9 million for the three months ended 31 March 2021 from RO 1.7 million for the three months ended 31 March 2020.

The Group's other operating income for the three months ended 31 March 2021 amounted to RO 1.0 million.

Operating expenses

The following table sets out the principal components of the Bank's operating expenses for the three months ended 31 March 2021 and 31 March 2020.

	For three months ended 31 March				**Percentage change**
	2021		**2020**		**2021/2020**
	RO'000	*USD'000*	*RO'000*	*USD'000*	*%*
Staff costs	7,272	18,914	7,961	20,707	-8.7%
Other operating expenses	3,761	9,782	4,038	10,503	-6.9%
Depreciation	1,451	3,774	1,561	4,060	-7.0%
Directors' remuneration	78	203	33	86	136.4%
Operating expenses	**12,562**	**32,673**	**13,593**	**35,356**	**-7.6%**

The Bank's operating expenses for the three months ended 31 March 2021 decreased by 7.6 per cent to RO 12.6 million from RO 13.6 million for the three months ended 31 March 2020. This decrease was principally a result of a 8.7 per cent. decrease in staff costs to RO 7.3 million for the three months ended 31 March 2021 from RO 8.0 million for the three months ended 31 March 2020 and a 6.9 per cent. decrease in other operating expenses to RO 3.8 million for the three months ended 31 March 2021 from RO 4.0 million for the three months ended 31 March 2020.

The Group's operating expenses for the three months ended 31 March 2021 amounted to RO 16.8 million.

Profit before tax

The Bank's profit before tax for the three months ended 31 March 2021 decreased by 67.0 per cent. to RO 2.3 million from RO 7.0 million for the three months ended 31 March 2020. This decrease was principally a result of the decrease in total income, outlined above, partially offset by the decrease in operating expenses set out above and a 46.3 per cent. increase in net allowances for credit losses to RO 5.8 million for the three months ended 31 March 2021 from RO 3.9 million for the three months ended 31 March 2020.

The Group's profit before tax for the three months ended 31 March 2021 amounted to RO 3.6 million.

Profit for the period

As a result of the foregoing, the Bank's profit for the three months ended 31 March 2021 decreased by 64.3 per cent. to RO 2.0 million from RO 5.7 million for the three months ended 31 March 2020.

The Group's profit for the three months ended 31 March 2021 amounted to RO 3.3 million.

Total comprehensive income for the period

As a result of the foregoing and an increase in other comprehensive loss to RO (206.0) thousand for the three months ended 31 March 2021 from RO 22.0 thousand for the three months ended 31 March 2020. The Bank's total comprehensive income for the three months ended 31 March 2021 decreased by 67.8 per cent. to RO 1.8 million from RO 5.6 million for the three months ended 31 March 2020.

The Group's total comprehensive income for the three months ended 31 March 2021 amounted to RO 3.1 million.

FINANCIAL RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019

Total income

The following table sets out the principal components of the Bank's total income for the years ended 31 December 2020 and 31 December 2019.

	For year ended 31 December				Percentage change
	2020		**2019**		**2020/2019**
	RO'000	*USD'000*	*RO'000*	*USD'000*	*%*
Interest income	117,988	306,887	113,925	296,319	3.6
Interest expense	(47,952)	(124,723)	(41,640)	(108,306)	15.2
Net interest income	**70,036**	**182,164**	**72,285**	**188,013**	(3.1)
Net income from Islamic financing	993	2,583	2,747	7,145	(63.9)
Net fee and commission income.....	14,275	37,129	11,388	29,620	25.4
Net income from investment securities..	-	-	77	200	(100.0)
Other operating income	5,220	13,577	6,465	16,815	(19.3)
Total income.................................	**90,524**	**235,453**	**92,962**	**241,793**	**(2.6)**

The Bank's total income for the year ended 31 December 2020 decreased by 2.6 per cent. to RO 90.5 million from RO 93.0 million for the year ended 31 December 2019. This decrease was principally a result of the increases and decreases in the line items as set out below.

The Group's total income for the year ended 31 December 2020 amounted to RO 101.0 million.

Interest income

The Bank's interest income for the year ended 31 December 2020 increased by 3.6 per cent. to RO 118.0 million from RO 113.9 million for the year ended 31 December 2019.

The increase from the year ended 31 December 2019 to the year ended 31 December 2020 was principally a result of a 3.0 per cent. increase in interest income from loans and advances to customers to RO 107.6 million for the year ended 31 December 2020 from RO 104.5 million for the year ended

31 December 2019. In addition, for the year ended 31 December 2020 compared to the year ended 31 December 2019, the Bank's interest income from Oman Government developments bonds and sukuk increased by 29.5 per cent. to RO 8.9 million from RO 6.9 million.

The Group's interest income for the year ended 31 December 2020 amounted to RO 118.0 million.

Interest expense

The Bank's interest expense for the year ended 31 December 2020 increased by 15.2 per cent. to RO 48.0 million from RO 41.6 million for the year ended 31 December 2019.

The increase in the Bank's interest expense for the year ended 31 December 2020 compared to the year ended 31 December 2019 was principally a result of:

- a 12.9 per cent. increase in interest expense on time deposits to RO 34.5 million from RO 30.6 million;
- a 9.0 per cent. increase in interest expense on call accounts to RO 4.6 million from RO 4.2 million;
- a 56.4 per cent. increase in interest on bank borrowings to RO 4.5 million from RO 2.9 million; and
- a 25.6 per cent. increase in interest expense on savings accounts to RO 2.9 million from RO 2.3 million for the year ended 31 December 2019.

The Group's interest expense for the year ended 31 December 2020 amounted to RO 48.0 million.

Net interest income

The Bank's net interest income for the year ended 31 December 2020 decreased by 3.1 per cent to RO 70.0 million from RO 72.3 million for the year ended 31 December 2019. This decrease was principally a result of the increase in interest expense partially offset by the increase in interest income, as set out above.

The Group's net interest income for the year ended 31 December 2020 amounted to RO 70.0 million.

Net income from Islamic financing

The Bank's net income from Islamic financing for the year ended 31 December 2020 decreased by 63.9 per cent. to RO 1.0 million from RO 2.7 million for the year ended 31 December 2019. This decrease was a result of the Al Yusr Transfer. After the Al Yusr Transfer, the Bank had no income from Islamic financing and all Islamic financing activities of the Group after such transfer were provided through AIB. This is reflected in the Group's net income from Islamic financing for the year ended 31 December 2020 which amounted to RO 10.1 million.

Net fee and commission income

The Bank's net fee and commission income for the year ended 31 December 2020 increased by 25.4 per cent. to RO 14.3 million from RO 11.4 million for the year ended 31 December 2019. This increase was principally a result of a 17.9 per cent. increase in the fees and commission income to RO 15.2 million for the year ended 31 December 2020 from RO 12.9 million for the year ended 31 December 2019 partially offset by a 39.5 per cent. decrease in fee and commission expense to RO 0.9 million for the year ended 31 December 2020 from RO 1.5 million for the year ended 31 December 2019.

The Group's net fee and commission income for the year ended 31 December 2020 amounted to RO 15.5 million reflecting the consolidation of net fee and commission income from AIB.

Net income from investment securities

The Bank did not record any net income from investment securities for the year ended 31 December 2020. For the year ended 31 December 2019, the Bank recorded net income from investment securities of RO 77,000.

The Group reported a net loss from investments securities for the year ended 31 December 2020 of RO 134,000 as a result of the sale of equities from the proprietary portfolio held by AIB.

Other operating income

The Bank's other operating income for the year ended 31 December 2020 decreased by 19.3 per cent to RO 5.2 million from RO 6.5 million for the year ended 31 December 2019. This decrease was principally a result of a 17.9 per cent decrease in exchange income to RO 5.2 million for the year ended 31 December 2020 compared to RO 6.3 million for the year ended 31 December 2019.

The Group's other operating income for the year ended 31 December 2020 amounted to RO 5.6 million reflecting the consolidation of other operating income from AIB.

Operating expenses

The following table sets out the principal components of the Bank's operating expenses for the years ended 31 December 2020 and 31 December 2019.

	For year ended 31 December				**Percentage change**
	2020		**2019**		**2020/2019**
	RO'000	*USD'000*	*RO'000*	*USD'000*	*%*
Staff costs	26,574	69,119	29,661	77,148	(10.4)
Other operating expenses..................	16,168	42,053	12,868	33,470	25.6
Operational loss	6,223	16,186	245	637	2440.0
Depreciation	6,136	15,960	5,812	15,117	5.6
Directors' remuneration	198	515	79	205	150.6
Operating expenses.........................	**55,299**	**143,833**	**48,665**	**126,577**	**13.6**

The Bank's operating expenses for the year ended 31 December 2020 increased by 13.6 per cent. to RO 55.3 million from RO 48.7 million for the year ended 31 December 2019. This increase was principally a result of a 25.6 per cent. increase in other operating expenses to RO 16.2 million for the year ended 31 December 2020 from RO 12.9 million for the year ended 31 December 2019 and the reporting of an exceptional RO 6.2 million operational loss provision for the year ended 31 December 2020 on account of forgery and embezzlement by an employee along with his external accomplices. As at the date of this Offering Circular, the Bank has filed a criminal complaint with the concerned authorities and the criminal investigation is underway for appropriate legal action. The incident has been reported to the regulatory authorities and appropriate disclosure has been made on the MSM. The Bank is pursuing all options to recover the loss and has already made a claim with its insurance company under its Banker's blanket bond (BBB) insurance policy.

The increase in operational expenses was partially offset by a 10.4 per cent. decrease in staff costs to RO 26.6 million for the year ended 31 December 2020 from RO 29.7 million for the year ended 31 December 2019.

The Group's operating expenses for the year ended 31 December 2020 amounted to RO 65.4 million reflecting the consolidation of operating expenses from AIB.

Profit before tax

The Bank's profit before tax for the year ended 31 December 2020 decreased by 53.3 per cent. to RO 18.1 million from RO 38.8 million for the year ended 31 December 2019. This decrease was principally a result of the decrease in total income, outlined above, and the increase in operating expense set out above and a 209.6 per cent. increase in net impairment losses on financial assets to RO 17.1 million for the year ended 31 December 2020 from RO 5.5 million for the year ended 31 December 2019.

The Group's profit before tax for the year ended 31 December 2020 amounted to RO 17.9 million reflecting the consolidation of AIB.

Profit for the year

As a result of the foregoing, the Bank's profit for the year ended 31 December 2020 decreased by 56.0 per cent. to RO 14.3 million from RO 32.6 million for the year ended 31 December 2019.

The Group's profit for the year ended 31 December 2020 amounted to RO 14.2 million reflecting the consolidation of AIB.

Total comprehensive income for the year

The Bank's only item of other comprehensive expense in each of the years ended 31 December 2020 and 31 December 2019 was the change in fair value of its equity investment at FVOCI, which resulted in other comprehensive loss of RO 134 thousand for the year ended 31 December 2020 and other comprehensive income of RO 108 thousand for the year ended 31 December 2019.

As a result of the foregoing, the Bank's total comprehensive income for the year ended 31 December 2020 decreased by 56.6 per cent. to RO 14.2 million from RO 32.7 million for the year ended 31 December 2019.

The Group's total comprehensive income for the year ended 31 December 2020 was RO 14.0 million reflecting the consolidation of AIB. The Group's other comprehensive income and expense also reflected changes in fair value and reclassification to profit or loss of debt investments at FVOCI held by AIB.

FINANCIAL RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

Total income

The following table sets out the principal components of the Bank's total income for the periods indicated.

	For year ended 31 December				Percentage change
	2019		2018		2019/2018
	RO'000	*USD'000*	*RO'000*	*USD'000*	*%*
Interest income	113,925	296,319	100,584	261,619	13.3
Interest expense	(41,640)	(108,306)	(34,061)	(88,593)	22.3
Net interest income	**72,285**	**188,013**	**66,523**	**173,026**	**8.7**
Net fee and commission income.....	14,135	36,765	14,738	38,334	(4.1)
Net investment income	77	200	101	263	(23.8)
Other operating income	6,465	16,815	6,282	16,339	2.9
Total income.................................	**92,962**	**241,793**	**87,644**	**227,962**	**6.1**

The Bank's total income for the year ended 31 December 2019 increased by 6.1 per cent. to RO 93.0 million from RO 87.6 million for the year ended 31 December 2018. This increase was principally a result of the increases and decreases in the line items as set out below.

Interest income

The Bank's interest income for the year ended 31 December 2019 increased by 13.3 per cent. to RO 113.9 million from RO 100.6 million for the year ended 31 December 2018. This increase was principally a result of an 11.6 per cent. increase in interest income from loans and advances and financing to customers to RO 104.5 million for the year ended 31 December 2019 from RO 93.6 million for the year ended 31 December 2018. In addition, for the year ended 31 December 2019 compared to the year ended 31 December 2018, the Bank's interest income from Oman Government developments bonds and sukuk increased by 40.2 per cent. (to RO 6.9 million, from RO 4.9 million), and from amounts deposited with banks increased by 63.9 per cent. (to RO 2.2 million, from RO 1.4 million), partially offset by a decrease of 50.4 per cent. in interest income from Treasury bills (to RO 0.4 million, from RO 0.7 million).

Interest expense

The Bank's interest expense for the year ended 31 December 2019 increased by 22.3 per cent. to RO 41.6 million from RO 34.1 million for the year ended 31 December 2018. This increase was principally a result of a 22.4 per cent. increase in interest expense on time deposits to RO 30.6 million for the year ended 31 December 2019 from RO 25.0 million for the year ended 31 December 2018, a 34.2 per cent. increase in interest expense on call accounts (to RO 4.2 million from RO 3.1 million), and a 10.7 per cent. increase in amounts deposited by banks (to RO 2.9 million for the year ended 31 December 2019, from RO 2.6 million for the year ended 31 December 2018) (and a 1.6 per cent increase in interest expense on savings accounts). In addition, the increase was also a result of interest expense on lease liabilities and others of RO 0.6 million for the year ended 31 December 2019, while no interest expenses on lease liabilities and others were recorded for the year ended 31 December 2018.

Net interest income

The Bank's net interest income for the year ended 31 December 2019 increased by 8.7 per cent to RO 72.3 million from RO 66.5 million for the year ended 31 December 2018. This increase was principally a result of the increase in interest income partially offset by the increase in interest expense, as set out above.

Net fee and commission income[§§§]

The Bank's net fee and commission income for the year ended 31 December 2019 decreased by 4.1 per cent. to RO 14.1 million from RO 14.7 million for the year ended 31 December 2018. This decrease was principally a result of a 62.6 per cent. increase in the fees and commissions expense to RO 1.5 million for the year ended 31 December 2019, from RO 0.9 million for the year ended 31 December 2018.

Net investment income

The Bank's net investment income for the year ended 31 December 2019 decreased by 23.8 per cent. to RO 0.08 million from RO 0.1 million for the year ended 31 December 2018. This decrease was principally a result of a 45.4 per cent. decrease in dividend income to RO 0.19 million for the year ended 31 December 2019 from RO 0.35 million for the year ended 31 December 2018.

Other operating income

The Bank's other operating income for the year ended 31 December 2019 increased by 2.9 per cent. to RO 6.5 million from RO 6.3 million for the year ended 31 December 2018. This increase was principally a result of a 3.2 per cent. increase in exchange income to RO 6.3 million for the year ended 31 December 2019 from RO 6.1 million for the year ended 31 December 2018.

Operating expenses

The following table sets out the principal components of the Bank's operating expenses for the years ended 31 December 2019 and 31 December 2018.

	For year ended 31 December				**Percentage change**
	2019		**2018**		**2019/2018**
	RO'000	*USD'000*	*RO'000*	*USD'000*	*%*
Staff costs	29,661	77,148	28,036	72,922	5.8
Other operating expenses	13,113	34,107	14,695	38,222	(10.8)
Depreciation	5,812	15,117	4,052	10,539	43.4
Directors' remuneration	79	205	177	460	(55.4)
Operating expenses	**48,665**	**126,577**	**46,960**	**122,143**	**3.6**

The Bank's operating expenses for the year ended 31 December 2019 increased by 3.6 per cent. to RO 48.7 million from RO 47.0 million for the year ended 31 December 2018. This increase was principally a result of a 5.8 per cent. increase in staff costs to RO 29.7 million for the year ended 31 December 2019, from RO 28.0 million for the year ended 31 December 2018, and a 43.4 per cent. increase in depreciation to RO 5.8 million for the year ended 31 December 2019, from RO 4.1 million for the year ended 31 December 2018.

Profit before tax

The Bank's profit before tax for the year ended 31 December 2019 increased by 8.3 per cent. to RO 38.8 million from RO 35.8 million for the year ended 31 December 2018. This increase was principally a

[§§§] In the 2020 Financial Statements 'net fee and commission income' for the year ended 31 December 2019 was segregated into 'net income from Islamic financing' of RO 2,747 thousand (which was introduced as a new line item) and 'net fee and commission income' of RO 11,388 thousand .

result of the increase in total income, outlined above, partially offset by the increase in operating expenses set out above and a 13.3 per cent. increase in net impairment losses on financial assets to RO 5.5 million for the year ended 31 December 2019 from RO 4.9 million for the year ended 31 December 2018.

Profit for the year

As a result of the foregoing, the Bank's profit for the year ended 31 December 2019 increased by 8.0 per cent. to RO 32.6 million from RO 30.1 million for the year ended 31 December 2018.

Total comprehensive income for the year

As a result of the foregoing and an increase in other comprehensive income of RO 0.8 million for the year ended 31 December 2019 to RO 0.1 million from a loss of RO 0.7 million for the year ended 31 December 2018, the Bank's total comprehensive income for the year increased by 10.9 per cent. to RO 32.7 million for the year ended 31 December 2019 from RO 29.5 million for the year ended 31 December 2018.

FINANCIAL CONDITION AS AT 31 DECEMBER 2020, 31 DECEMBER 2019 AND 31 DECEMBER 2018

Total assets

The following table sets out a breakdown of the principal components of the Bank's total assets as at 31 December 2020, 31 December 2019 and 31 December 2018 and the Group's total assets as at 31 December 2020.

	As at 31 December								Percentage Change	
	2020		**2020**		**2019**		**2018**		**2020/2019**	**2019/2018**
	RO'000	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*(%)*	*(%)*
	(Group / consolidated)		*(Bank / unconsolidated)*							
ASSETS										
Cash and balances with the CBO	220,975	574,756	173,652	451,669	179,664	467,306	194,801	506,677	(3.3)	(7.8)
Due from banks..................................	72,782	189,306	70,995	184,658	50,802	132,136	91,272	237,398	39.7	(44.3)
Loans and advances and financing to customers	2,635,455	6,854,818	1,928,866	5,016,980	2,006,330	5,218,464	1,832,817	4,767,157	(3.9)	9.5
Investment securities...........................	240,218	624,807	176,700	459,597	165,422	430,263	131,176	341,189	6.8	26.1
Investments in a subsidiary	-	-	107,144	278,682	-	-	-	-	100.0	-
Property and equipment	46,605	121,220	42,479	110,488	39,725	103,325	30,245	78,667	6.9	31.3
Goodwill...	6,505	16,920	-	-	-	-	-	-	-	-
Other assets	77,503	201,585	55,287	143,801	55,186	143,539	48,507	126,167	0.2	13.8
Total assets...	**3,300,043**	**8,583,412**	**2,555,123**	**6,645,875**	**2,497,129**	**6,495,033**	**2,328,818**	**6,057,255**	**2.3**	**7.2**

The Banks total assets as at 31 December 2020 increased by 2.3 per cent. to RO 2.6 billion compared to RO 2.5 billion as at 31 December 2019, which represented an increase of 7.2 per cent. compared to RO 2.3 billion as at 31 December 2018. These increases were the result of the increases and decreases in the line items as set out below.

The Group's total assets as at 31 December 2020 were RO 3.3 billion.

Cash and balances with the CBO

The Bank's cash and balances with the CBO as at 31 December 2020 decreased by 3.3 per cent. to RO 173.7 million compared to RO 179.7 million as at 31 December 2019, which represented a decrease of 7.8 per cent. from RO 194.8 million as at 31 December 2018.

The decrease as at 31 December 2020 compared to 31 December 2019 was principally a result in a 26.7 per cent. decrease in cash in hand to RO 31.2 million as at 31 December 2020 from RO 42.5 million as at 31 December 2019 partially offset by a 3.9 per cent. increase in balances with the CBO to RO 142.5 million as at 31 December 2020 from RO 137.2 million as at 31 December 2019.

The decrease as at 31 December 2019 compared to 31 December 2018 was principally a result of a 38.3 per cent. decrease in balances with the CBO – placements to RO 42.4 million as at 31 December 2019 from RO 68.6 million as at 31 December 2018, partially offset by 5.5 per cent. increase in cash in hand to RO 42.5 million as at 31 December 2019 from RO 40.3 million as at 31 December 2018 and a 10.4 per cent. increase in balances with the CBO – clearing account to RO 94.3 million as at 31 December 2019 from RO 85.4 million as at 31 December 2018.

The Group's cash and balances with the CBO as at 31 December 2020 was RO 221.0 million.

Due from banks

The Bank's due from banks as at 31 December 2020 increased by 39.7 per cent. to RO 71.0 million from RO 50.8 million as at 31 December 2019, which represented a decrease of 44.3 per cent. from RO 91.3 million as at 31 December 2018.

The increase as at 31 December 2020 compared to 31 December 2019 was principally a result of a 216.7 per cent. increase in current account to RO 38.1 million as at 31 December 2020 from RO 12.0 million as at 31 December 2019, partially offset by a 15.7 per cent. decrease in placements to RO 33.0 million as at 31 December 2020 from RO 39.1 million as at 31 December 2019.

The decrease as at 31 December 2019 compared to 31 December 2018 was principally a result of a decrease of 53.7 per cent. in placements to RO 39.1 million as at 31 December 2019 from RO 84.5 million as at 31 December 2018, partially offset by a 64.9 per cent. increase in current accounts to RO 12.0 million as at 31 December 2019 from RO 7.3 million as at 31 December 2018.

The Group's due from banks as at 31 December 2020 was RO 72.8 million.

Loans and advances and financing to customers

The Bank's loans and advances and financing to customers as at 31 December 2020 decreased by 3.9 per cent. to RO 1.9 billion as at 31 December 2020 from RO 2.0 billion as at 31 December 2019, which represented an increase of 9.5 per cent. from RO 1.8 billion as at 31 December 2018.

The decrease as at 31 December 2020 compared to 31 December 2019 was principally a result of the Al Yusr Transfer. The Bank, therefore, did not report any Islamic finance as at 31 December 2020 compared to RO 100.5 million Islamic finance corporate loans and RO 38.8 million personal Islamic finance personal loans. However, the Group reported RO 418.2 million of Islamic finance corporate loans and RO 320.4 million of Islamic finance personal loans. The Group's loans and advances and financings to customers as at 31 December 2020 was RO 2.6 billion.

The Bank's overall corporate loan portfolio (excluding the contribution of Islamic finance as at 31 December 2019) increased 6.8 per cent. to RO 1.3 billion as at 31 December 2020 compared to RO 1.2

billion as 31 December 2019 principally as a result of a 9.1 per cent. increase in corporate term loans to RO 1.1 billion as at 31 December 2020 compared to RO 995.4 million as at 31 December 2019.

The Bank's overall personal loan portfolio (excluding the contribution of Islamic finance as at 31 December 2019) remained stable decreasing 0.1 per cent. to RO 722.5 million as at 31 December 2020 from RO 723.5 million as at 31 December 2019 principally as a result of a 3.8 per cent. decrease in consumer loans to RO 402.9 million as at 31 December 2020 from RO 418.8 million as at 31 December 2019, partially offset by a 5.1 per cent. increase in mortgage loans to RO 314.2 million as at 31 December 2020 from RO 299.0 million as at 31 December 2019.

The increase as at 31 December 2019 compared to 31 December 2018 was principally a result of an increase of 15.8 per cent. in the total corporate portfolio; where term loans increased by 21.5 per cent. to RO 995.4 million, from RO 819.1 million, an increase of 16.9 per cent. in the total Islamic finance portfolio to RO 100.5 million, from RO 86.0 million, partially offset by a 16.8 per cent. decrease in bills discounted to RO 66.0 million, from RO 79.4 million.

Currency

The Bank's portfolio of loans and advances and financing to customers is principally denominated in Omani Rial. Loans and advances and financing is also offered in U.S. dollars, pound sterling and euro, among other currencies.

Types of loans and advances and financing to customers

The following table sets out a breakdown of the type of the Bank's loans and advances and financing to customers as at 31 December 2020, 31 December 2019 and 31 December 2018 and of the Group's loans and advances and financing to customers as at 31 December 2020.

	As at 31 December								Percentage Change	
	2020		**2020**		**2019**		**2018**		**2020/ 2019**	**2019/ 2018**
	RO'000	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*%*	*%*
	(Group / consolidated)		*(Bank / unconsolidated)*							
Corporate loans										
Term loans	1,085,744	2,824,020	1,085,744	2,824,020	995,377	2,588,976	819,128	2,130,552	9.1	21.5
Overdrafts	139,265	362,228	139,265	362,228	135,634	352,784	136,148	354,121	2.7	(0.4)
Bills discounted	53,572	139,341	53,572	139,341	66,030	171,744	79,355	206,402	(18.9)	(16.8)
Islamic finance	418,232	1,087,821	-	-	100,522	261,458	85,996	223,676	(100.0)	16.9
	1,696,813	**4,413,410**	**1,278,581**	**3,325,589**	**1,297,563**	**3,374,962**	**1,120,627**	**2,914,751**	**(1.5)**	**15.8**
Personal loans										
Consumer loans	402,871	1,047,867	402,871	1,047,867	418,766	1,089,210	443,355	1,153,166	(3.8)	(5.5)
Mortgage loans	314,161	817,133	314,161	817,133	299,008	777,720	283,065	736,252	5.1	5.6
Overdrafts	1,830	4,760	1,830	4,760	1,710	4,448	612	1,592	7.0	179.4
Credit cards	3,617	9,408	3,617	9,408	4,016	10,446	3,815	9,923	(9.9)	5.3
Islamic finance	320,380	833,308	-	-	38,827	100,989	36,562	95,098	(100.0)	6.2
	1,042,859	**2,712,476**	**722,479**	**1,879,168**	**762,327**	**1,982,813**	**767,409**	**1,996,031**	**(5.2)**	**(0.7)**
Gross loans and advances	**2,739,672**	**7,125,886**	**2,001,060**	**5,204,757**	**2,059,890**	**5,357,775**	**1,888,036**	**4,910,782**	**(2.9)**	**9.1**
Less: allowance for loan impairment and contractual interest not recognised	(104,217)	(271,068)	(72,194)	(187,777)	(53,560)	(139,310)	(55,219)	(143,625)	34.8	(3.0)
Net loans and advances	**2,635,455**	**6,854,814**	**1,928,866**	**5,016,980**	**2,006,330**	**5,218,465**	**1,832,817**	**4,767,157**	**(3.9)**	**9.5**

The Bank's total allowance for credit losses on performing loans as at 31 December 2020 was RO 26.7 million compared to RO 23.0 million as at 31 December 2019 and RO 32.3 million as at 31 December 2018. The Group's total allowance for credit losses on performing loans as at 31 December 2020 was RO 39.0 million.

The CBO regulation requires that the allowance for credit losses should be in accordance with IFRS 9 and if the provision requirement as per the CBO guidelines is higher than IFRS 9, the difference net of tax needs to be transferred to the "Impairment Reserve" as an appropriation from net profit after tax. The CBO, as part of its latest stimulus package, has suspended the computation of additional provisions as per CBO norms for the financial year 2021. Hence, banks in Oman are not required to create any additional impairment reserve for the financial year 2021.

The Bank's loans and advances on which interest has been reserved and/or has not been accrued amounted to RO 97.2 million as at 31 December 2020 compared to RO 73.9 million as at 31 December 2019 and RO 51.5 million as at 31 December 2018. The Group's loans and advances on which interest has been reserved and/or has not been accrued amounted to RO 123.6 million as at 31 December 2020.

Islamic financing

Included in the above loans and advances and financing are the following Islamic financing contracts for the Group as at 31 December 2020 and the Bank as at 31 December 2019 and 31 December 2018:

	As at 31 December						**Percentage Change**	
	2020		**2019**		**2018**		**2020/ 2019**	**2019/ 2018**
	RO'000	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*%*	*%*
	(consolidated)							
Musharaka	243,073	632,233	65,853	171,284	58,652	152,554	269.1	12.3
Murabaha...........................	103,832	270,067	18,976	49,357	20,485	53,281	447.2	(7.4)
Ijarah Muntahia Bittamleek	261,524	680,224	42,365	110,191	34,265	89,123	517.3	23.6
Wakala...............................	128,180	333,396	12,155	31,615	9,156	23,815	954.5	32.8
Others	2,003	5,210	-	-	-	-	100.0	-
	738,612	**1,921,130**	**139,349**	**362,447**	**122,558**	**318,773**	**430.0**	**13.7**

As a result of the Al Yusr Transfer, the Bank did not have any Islamic financing assets as at 31 December 2020. The increases in Islamic financing as at 31 December 2020 principally reflect the AIB Acquisition.

Loans and advances and financing to customers by sector

The following table sets out the Bank's gross loans and advances and financing to customers by sector as at 31 December 2020, 31 December 2019 and 31 December 2018 and the Group's gross loans and advances and financing to customers by sector as at 31 December 2020.

	As at 31 December								Percentage Change	
	2020		**2020**		**2019**		**2018**		**2020/2019**	**2019/2018**
	RO'000	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*%*	*%*
	(Group / consolidated)		*(Bank / unconsolidated)*							
Personal loans............	1,042,859	2,712,476	722,479	1,879,168	762,327	1,982,813	767,409	1,996,031	(5.2)	(0.7)
Construction...............	327,603	852,095	226,840	590,011	274,167	713,108	237,479	617,683	(17.3)	15.4
Manufacturing	259,635	675,311	180,739	470,102	148,563	386,412	112,822	293,450	21.7	31.7
Mining and quarrying .	178,230	463,576	143,014	371,979	175,091	455,412	146,901	382,090	(18.3)	19.2
Services......................	274,493	713,956	146,509	381,070	147,177	382,807	114,877	298,795	(0.5)	28.1
Import trade	100,632	261,744	80,822	210,218	66,707	173,505	63,668	165,600	21.2	4.8
Transportation............	115,112	299,406	105,821	275,240	104,643	272,176	114,979	299,060	1.1	(9.0)
Electricity, water & gas	56,966	148,169	49,433	128,575	50,633	131,696	54,920	142,847	(2.4)	(7.8)
Wholesale and retail trade...........................	124,781	324,555	93,980	244,442	77,573	201,767	65,748	171,011	21.2	18.0
Financial institutions...	81,036	210,775	81,036	210,775	74,183	192,950	66,114	171,963	9.2	12.2
Agriculture and allied activities.....................	13,843	36,006	7,792	20,267	8,449	21,976	5,486	14,269	(7.8)	54.0
Export trade	514	1,337	514	1,337	93	242	429	1,116	452.7	(78.3)
Government	-	-	-	-	1,538	4,000	-	-	(100.0)	100.0
Lending to non-residents.....................	3,387	8,810	1,500	3,902	1,081	2,812	2,048	5,327	38.8	(47.2)
Others	160,581	417,671	160,581	417,671	167,665	436,097	135,156	351,541	(4.2)	24.1
	2,739,672	**7,125,887**	**2,001,060**	**5,204,757**	**2,059,890**	**5,357,773**	**1,888,036**	**4,910,783**	**(2.9)**	**9.1**

The following table sets out the percentage contribution of the Bank's gross loans and advances and financing to customers by sector as at 31 December 2020, 31 December 2019 and 31 December 2018 and the percentage contribution of the Group's gross loans and advances and financing to customers by sector as at 31 December 2020.

	As at 31 December			
	2020	**2020**	**2019**	**2018**
	(Group / consolidated)	*(Bank / unconsolidated)*		
	% total			
Personal loans	38	36	37	41
Construction	12	11	13	13
Manufacturing	9	9	7	6
Mining and quarrying	7	7	9	8
Services	10	7	7	6
Import trade	4	4	3	3
Transportation	4	5	5	6
Electricity, water & gas	2	3	2	3
Wholesale and retail trade	5	5	4	3
Financial institutions	3	4	4	4
Agriculture and allied activities	1	1	1	0
Export trade	0	0	0	0
Government	-	-	0	-
Lending to non-residents	0	0	0	0
Others	6	8	8	7
	100	**100**	**100**	**100**

Collateral

As at 31 December 2020, 35 per cent. of the Bank's NPLs benefited from collateral and guarantees and 37 per cent. of the Bank's gross loans. As at 31 December 2020, 45 per cent. of the Group's NPLs benefited from collateral and guarantees and 47 per cent. of the Group's gross loans.

Investment securities

The Bank's investment securities as at 31 December 2020 increased by 6.8 per cent. to RO 176.7 million from RO 165.4 million as at 31 December 2019, which represented an increase of 26.1 per cent. from RO 131.2 million as at 31 December 2018.

The increase as at 31 December 2020 compared to 31 December 2019 was principally a result of an increase in investments in Government Development Bonds as part of the Bank's fixed income investment strategy. As at 31 December 2020, 92.0 per cent. of the Bank's investments were in Government securities.

The increase as at 31 December 2019 compared to 31 December 2018 was principally a result of an increase in investments in Government Development Bonds, Government Sukuk and corporate bonds as part of the Bank's fixed income investment strategy.

The Group's investment securities as at 31 December 2020 amounted to RO 240.2 million.

For a breakdown of the Bank's investment securities as at 31 December 2020 and 31 December 2019 and of the Group's investment securities as at 31 December 2020, see Note 10 to the 2020 Financial Statements.

Investment in a subsidiary

As at 31 December 2020, the Bank recorded investments in a subsidiary amounting to RO 107.1 million as a result of the AIB Acquisition.

Property and equipment

The Bank's property and equipment as at 31 December 2020 increased by 6.9 per cent. to RO 42.5 million compared to RO 39.7 million as at 31 December 2019, which represented an increase of 31.3 per cent. from RO 30.2 million as at 31 December 2018.

The increase as at 31 December 2020 compared to 31 December 2019 was principally a result of project costs associated with the upgrade of the Bank's IT security systems, infrastructure and digital banking channels.

The increase as at 31 December 2019 compared to 31 December 2018 was principally a result of implementation of IFRS 16 which increased the Bank's property and equipment by RO 6.9 million.

Goodwill

As at 31 December 2020, the Group provisionally recorded goodwill amounting to RO 6.5 million arising from the AIB Acquisition. As at 31 December 2020, the Group tested the goodwill for impairment in accordance with IAS 36 "Impairment of Assets" and did not accounted for any impairment losses at 31 December 2020 since the estimated recoverable amount of the related business to which the provisional goodwill relates to exceed its carrying value.

The key assumptions forming the basis for the impairment test are: (a) the growth rate based on assumption that AIB will grow, on average, 22 per cent. per annum for first 4 to 5 years; (b) the terminal value based on assumption that cash flow shall grow at 2 per cent.; (c) the discount factor in determining the recoverable amount is 13.34 per cent. 1 per cent. movement (plus or minus) in the above assumptions will result in a material change in the estimated recoverable amount of the related business resulting in impairment of goodwill.

Other assets

As at 31 December 2020, the Bank's other assets included customers' indebtedness against acceptances, fees receivable, interest receivable, prepayments, positive fair value of derivatives, deferred tax asset and others.

The Bank's other assets as at 31 December 2020 increased by 0.2 per cent. to RO 55.3 million from RO 55.2 million as at 31 December 2019, which represented an increase of 13.8 per cent. to RO 48.5 million as at 31 December 2018.

The increase as at 31 December 2020 compared to 31 December 2019 was principally a result of a 27.3 per cent. increase in interest receivable to RO 28.4 million as at 31 December 2020 from RO 22.3 million as at 31 December 2019, partially offset by a 40.2 per cent. decrease in customers' indebtedness against acceptances to RO 13.2 million as at 31 December 2020 from RO 22.0 million as at 31 December 2019.

The increase as at 31 December 2019 compared to 31 December 2018 was principally a result of a 39.9 per cent. increase in interest receivable to RO 22.3 million as at 31 December 2019, from RO 16.0 million at 31 December 2018.

Total liabilities

The following table sets out a breakdown of the Bank's total liabilities as at 31 December 2020, 31 December 2019 and 31 December 2018 and the Group's total liabilities as at 31 December 2020.

	As at 31 December								Percentage Change	
	2020		**2020**		**2019**		**2018**		**2020/2019**	**2019/2018**
	RO'000	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*		
	(Group / consolidated)		*(Bank / unconsolidated)*							
Due to banks..	14,421	37,509	10,571	27,495	31,465	81,840	15,207	39,553	(66.4)	106.9
Deposits from customers......................	2,755,310	7,166,561	2,030,762	5,282,012	1,998,436	5,197,932	1,870,558	4,865,321	1.6	6.8
Other liabilities....................................	74,228	193,067	57,697	150,070	71,698	186,486	60,241	156,687	(19.5)	19.0
Subordinated debt................................	20,000	52,020	20,000	52,020	20,000	52,020	20,000	52,020	0.0	0.0
Taxation	4,507	11,723	4,507	11,723	6,687	17,393	5,936	15,440	(32.6)	12.7
Total liabilities	**2,868,466**	**7,460,880**	**2,123,537**	**5,523,320**	**2,128,286**	**5,535,671**	**1,971,942**	**5,129,021**	**(0.2)**	**7.9**

The Bank's total liabilities as at 31 December 2020 remained stable, decreasing by 0.2 per cent., to RO 2.1 billion compared to RO 2.1 billion as at 31 December 2019, which represented an increase of 7.9 per cent. from RO 2.0 billion as at 31 December 2018.

These increases as at 31 December 2020 compared to 31 December 2019 and as at 31 December 2019 compared to 31 December 2018 were principally a result of the increases and decreases in the line items set out below.

The Group's total liabilities as at 31 December 2020 amounted to RO 2.9 billion.

Due to banks

The Bank's due to banks as at 31 December 2020 decreased by 66.4 per cent. to RO 10.6 million from RO 31.5 million as at 31 December 2019, which represented an increase of 106.9 per cent. from RO 15.2 million as at 31 December 2018.

The decrease as at 31 December 2020 compared to 31 December 2019 was principally a result of a 76.2 per cent. decrease in placements to RO 5.6 million from RO 23.7 million and a 36.3 per cent. decrease in current accounts to RO 4.9 million from RO 7.7 million.

The increase as at 31 December 2019 compared to 31 December 2018 was principally a result of a 163.8 per cent. increase in placements to RO 23.7 million, from RO 9.0 million, and a 24.5 per cent. increase in current accounts to RO 7.7 million, from RO 6.2 million.

The Group's due to banks as at 31 December 2020 amounted to RO 14.4 million.

Deposits from customers

The Bank's deposits from customers as at 31 December 2020 increased by 1.6 per cent. to RO 2.0 billion from RO 2.0 billion as at 31 December 2019, which represented an increase of 6.8 per cent. from RO 1.9 billion as at 31 December 2018.

The increase as at 31 December 2020 compared to 31 December 2019 was principally a result of a 1.4 per cent. increase in term deposits to RO 927.0 million from RO 914.1 million as at 31 December 2019, and 16.8 per cent. increase in savings accounts to RO 358.5 million from RO 307.0 million as at 31 December 2019, partially offset by a 4.1 per cent. decrease in demand and call accounts to RO 745.3 million from RO 777.4 million as at 31 December 2019.

The increase as at 31 December 2019 compared to 31 December 2018 was principally a result of a 9.8 per cent. increase in demand and call accounts to RO 777.4 million, from RO 708.3 million, a 4.9 per cent. increase in term deposits to RO 914.1 million, from RO 871.8 million, and a 5.7 per cent. increase in savings accounts to RO 307.0 million, from RO 290.5 million.

As at 31 December 2020, the Bank's term deposits represented 45.6 per cent. of deposits from customers (compared to 45.7 per cent. as at 31 December 2019 and 46.6 per cent. as at 31 December 2018), demand and call accounts represented 36.7 per cent. (compared to 38.9 per cent. as at 31 December 2019 and 37.9 per cent. as at 31 December 2018) and savings accounts represented 17.7 per cent. (compared to 15.4 per cent. as at 31 December 2019 and 15.5 per cent. as at 31 December 2018).

As at 31 December 2020, 72.1 per cent. of the Bank's deposits from customers were from private customers (compared to 66.0 per cent. as at 31 December 2019 and 72.6 per cent. as at 31 December 2018) and 27.9 per cent. were from the Government sector (compared to 34.0 per cent. as at 31 December 2019 and 27.4 per cent. as at 31 December 2018).

As at 31 December 2020, the Group's term deposits represented 45.6 per cent. of the Bank's deposits from customers, demand and call accounts represented 34.8 per cent and savings accounts represented 19.6 per cent. As at 31 December 2020, 70.5 per cent. of the Group's deposits from customers were from private customers and 29.5 per cent. from the Government sector.

Other liabilities

As at 31 December 2020, other liabilities comprised liabilities against acceptances, interest payable, accrued expenses and other payables, cheques and trade settlement payable, staff termination benefits, interest and commission received in advance, negative fair value of derivatives, deferred tax liability and lease liability.

The Bank's other liabilities as at 31 December decreased by 19.5 per cent. to RO 57.7 million compared to RO 71.7 million as at 31 December 2019, which represented an increase of 19.0 per cent. from RO 60.2 million as at 31 December 2018.

The decrease as at 31 December 2020 compared to 31 December 2019 was principally a result of a 40.2 per cent. decrease in liabilities against acceptances to RO 13.2 million from RO 22.0 million as at 31 December 2019, a 7.1 per cent. decrease in interest payable to RO 22.5 million from RO 24.3 million as at 31 December 2019 and a 23.3 per cent. decrease in lease liability to RO 5.4 million from RO 7.0 million as at 31 December 2019.

The increase as at 31 December 2019 compared to 31 December 2018 was principally a result of a lease liability of RO 7.0 million as at 31 December 2019, where no lease liability was recorded at 31 December 2018, and a 17.2 per cent. increase in interest payable to RO 24.3 million as at 31 December 2019, from RO 20.7 million as at 31 December 2018.

The Group's other liabilities amounted to RO 74.2 million as at 31 December 2020.

Subordinated debt

The Bank obtained subordinated loans of RO 20 million, which comply with Basel III requirements for tier 2 capital, for a tenor of five years and six months in November 2015. The loans carry a fixed rate of 5.5 per cent. per annum, payable semi-annually with the principal payable on maturity. AIB had no subordinated debt as at 31 December 2020.

As a percentage of the Bank's total liabilities, the Bank's subordinated loans constituted 0.9 per cent. as at 31 December 2020, 0.9 per cent. as at 31 December 2019 and 1.0 per cent. as at 31 December 2018.

Tier 1 Capital Securities

In December 2016, the Bank issued perpetual Tier 1 capital securities amounting to RO 30 million which are listed on the MSM (the **2016 Capital Securities**). In October 2018, the Bank issued perpetual Tier 1 capital securities amounting to RO 42.5 million which are listed on the MSM (the **2018 Capital Securities** and together with the 2016 Capital Securities, the **Tier 1 Capital Securities**).

The Tier 1 Capital Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 Capital Securities do not have a fixed or final maturity date and may be redeemable by the Bank at its discretion in October 2023 in respect of the 2018 Capital Securities and January 2022 in respect of the 2016 Capital Securities, or on any interest payment date thereafter subject to the prior written consent of the CBO.

Total equity

The following table sets out the breakdown of Bank's total equity as at 31 December 2020, 31 December 2019 and 31 December 2018 and the Group's total equity as at 31 December 2020.

	As at 31 December								**Percentage Change**	
	2020		**2020**		**2019**		**2018**		**2020/2019**	**2019/2018**
	RO'000	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*%*	*%*
	(Group / consolidated)		*(Bank / unconsolidated)*							
Share capital	166,941	434,214	166,941	434,214	134,620	350,147	134,620	350,147	24.0	0.0
Share premium	36,565	95,106	36,565	95,106	-	-	-	-	100.0	0.0
Legal reserve	46,178	120,109	46,178	120,109	44,746	116,384	41,490	107,915	3.2	7.8
General reserve	25,560	66,482	25,560	66,482	25,560	66,482	25,560	66,482	0.0	0.0
Subordinated debt reserve	20,000	52,020	20,000	52,020	16,000	41,616	12,000	31,212	25.0	33.3
Special reserve	3,837	9,980	3,837	9,980	3,915	10,183	3,915	10,183	(2.0)	0.0
Fair value reserve	(1,793)	(4,664)	(2,062)	(5,363)	(1,951)	(5,075)	(2,059)	(5,355)	5.7	(5.2)
Impairment reserve	9,130	23,747	9,130	23,747	9,130	23,747	-	-	0.0	100.0
Retained earnings	52,606	136,828	52,884	137,550	64,270	167,166	68,797	178,940	(17.7)	(6.6)
Total equity attributable to the equity holders of the Bank	**359,024**	**933,822**	**359,033**	**933,845**	**296,290**	**770,650**	**284,323**	**739,524**	21.2	4.2
Perpetual Tier 1 capital bonds	72,553	188,710	72,553	188,710	72,553	188,710	72,553	188,710	0.0	0.0
Total equity	**431,577**	**1,122,532**	**431,586**	**1,122,555**	**368,843**	**959,360**	**356,876**	**928,234**	17.0	3.4

The Bank's total equity as at 31 December 2020 increased 17.0 per cent. to RO 431.6 million compared to RO 368.8 million as at 31 December 2019, which represented an increase of 3.4 per cent. from RO 356.9 million as at 31 December 2018. These increases as at 31 December 2020 compared to 31 December 2019 and as at 31 December 2019 compared to 31 December 2018 were principally a result of the increases and decreases in line items set out below.

The Group's total equity as at 31 December 2020 amounted to RO 431.6 million.

The main constituents of the Bank's total equity were share capital, share premium, legal reserve, general reserve, subordinated debt reserve, special reserve, fair value reserve, impairment reserve, retained earnings and perpetual Tier 1 capital bonds. Of the Bank's reserves, the most significant is the legal reserve into which, in accordance with Article 132 of the Commercial Companies Law, 10 per cent. of profit earned each year must be contributed until the legal reserve amounts to one third of the Bank's paid up share capital. This reserve is not available for distribution. As at 31 December 2020, the Bank's legal reserve represented 27.7 per cent. of its issued share capital.

Maturity Profile and Re-Pricing Profile

The tables below set out the maturity profile of the Bank's total liabilities and equity as at 31 December 2020, 31 December 2019 and 31 December 2018 and of the Group's total liabilities and equity as at 31 December 2020.

31 December 2020 (Group/consolidated)

	On demand or within 3 months	**3 to 12 months**	**Sub total**	**1 to 5 years**	**Over 5 years**	**Total**
			(RO'000)			
Due to banks	14,421	-	14,421	-	-	14,421
Deposits from customers	383,484	752,188	1,135,672	849,320	770,318	2,755,310
Other liabilities	41,814	9,953	51,767	22,461	-	74,228
Subordinated loans	-	20,000	20,000	-	-	20,000
Taxation	4,099	-	4,099	408	-	4,507
Total liabilities	**443,818**	**782,141**	**1,225,959**	**872,189**	**770,318**	**2,868,466**
Net assets (total equity)	**418,613**	**(471,577)**	**(52,964)**	**15,160**	**469,381**	**431,577**

31 December 2020 (Bank/unconsolidated)

	On demand or within 3 months	**3 to 12 months**	**Sub total**	**1 to 5 years**	**Over 5 years**	**Total**
			(RO'000)			
Due to banks	10,571	-	10,571	-	-	10,571
Deposits from customers	302,257	543,938	846,195	558,360	626,207	2,030,762
Other liabilities	41,814	10,236	52,050	5,647	-	57,697
Subordinated loans	-	20,000	20,000	-	-	20,000
Taxation	4,099	-	4,099	408	-	4,507
Total liabilities	**358,741**	**574,174**	**932,915**	**564,415**	**626,207**	**2,123,537**
Net assets (total equity)	**330,782**	**(387,193)**	**(56,411)**	**29,002**	**458,995**	**431,586**

31 December 2019

	On demand or within 3 months	3 to 12 months	Sub total	1 to 5 years	Over 5 years	Total
			(RO'000)			
Due to banks	31,465	-	31,465	-	-	31,465
Deposits from customers	275,733	706,688	982,421	415,080	600,935	1,998,436
Other liabilities	42,415	20,520	62,935	8,302	461	71,698
Subordinated loans	-	-	-	20,000	-	20,000
Taxation	5,914	373	6,287	400	-	6,687
Total liabilities	**355,527**	**727,581**	**1,083,108**	**443,782**	**601,396**	**2,128,286**
Net assets (total equity)	**322,695**	**(524,733)**	**(202,038)**	**130,392**	**440,489**	**368,843**

31 December 2018

	On demand or within 3 months	3 to 12 months	Sub total	1 to 5 years	Over 5 years	Total
			(RO'000)			
Due to banks	15,207	-	15,207	-	-	15,207
Deposits from customers	377,641	695,819	1,073,460	362,033	435,065	1,870,558
Other liabilities	42,658	9,644	52,302	7,434	505	60,241
Subordinated loans	-	-	-	20,000	-	20,000
Taxation	5,363	573	5,936	-	-	5,936
Total liabilities	**440,869**	**706,036**	**1,146,905**	**389,467**	**435,570**	**1,971,942**
Net assets (total equity)	**261,988**	**(498,496)**	**(236,508)**	**98,827**	**494,557**	**356,876**

For details regarding the Bank's re-pricing profile as at 31 December 2020, 31 December 2019 and 31 December 2018 and the Group's re-pricing profile as at 31 December 2020 based on contractual re-pricing or maturity dates, whichever dates are earlier, see Note 41 to the 2020 Financial Statements and Note 38 to the 2019 Financial Statements.

Contingent liabilities and commitments

The Bank and the Group are party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financing needs of their customers. These financial instruments include standby letters of credit, financial guarantees to third parties, commitments to extend credit and others. The Bank and the Group’s exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract value or the notional amount of the instruments. However, generally the credit risk on these transactions is lower than the contract value or the notional amount by virtue of their contingent nature.

The risk involved is essentially the same as the credit risk involved in extending loan facilities and therefore these transactions are subject to the same credit origination, portfolio maintenance and collateral requirements for customers applying for loans and advances.

The following table sets out the outstanding contract value or the notional amounts of these instruments in respect of the Bank as at 31 December 2020, 31 December 2019 and 31 December 2018 and in respect of the Group as at 31 December 2020.

	As at 31 December							
	2020		**2020**		**2019**		**2018**	
	RO'000	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*	*RO'000*	*USD'000*
	(Group / consolidated)		*(Bank / unconsolidated)*					
Letters of credit	77,600	201,838	73,635	191,525	162,993	423,945	210,776	548,228
Guarantees	251,150	653,241	221,837	576,998	405,769	1,055,405	437,579	1,138,143
Financial guarantees	141,928	369,155	107,220	278,879	151,267	393,445	137,015	356,376

470,678	**1,224,234**	**402,692**	**1,047,402**	**720,029**	**1,872,795**	**785,370**	**2,042,747**

As at 31 December 2020, the Bank's unutilised commitment of facilities amounted to RO 438.5 million compared to RO 534.4 million as at 31 December 2019 and RO 656.5 million as at 31 December 2018. The Group's unutilised commitment of facilities amounted to RO 473.2 million as at 31 December 2020.

Certain of the Bank's letters of credit and guarantees amounting to RO 194.0 million were counter guaranteed by other banks as at 31 December 2020 compared to RO 380.7 million as at 31 December 2019 and RO 464.4 million as at 31 December 2018. As at 31 December 2020, AIB had no material letters of credit or guarantees that were counter guaranteed by other banks.

The Bank's contingent liabilities relating to NPLs amounted to RO 4.2 million as at 31 December 2020 compared to RO 8.7 million as at 31 December 2019 and RO 0.4 million as at 31 December 2018. The Group's contingent liabilities relating to NPLs amounted to RO 4.6 million as at 31 December 2020.

Capital adequacy

The Group's capital management objectives are:

- to comply with the capital requirements set by the regulator (the CBO);
- to safeguard the Bank's ability to continue as a going concern while providing adequate returns to the shareholders; and
- to maintain a strong capital base to support the development of its business.

The principal objective of the CBO's capital adequacy requirements 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 statement of financial position, in particular credit risk. The CBO's risk-based capital adequacy framework is consistent with the international standards of the Bank for International Settlements (BIS).

For further information regarding the CBO's capital adequacy requirements, please see "*Oman Banking System and Prudential Regulation—Bank Regulation in Oman—Capital Adequacy*".

The following table sets out the Bank's capital adequacy ratios and calculations as at 31 December 2020, 31 December 2019 and 31 December 2018 and the Group's capital adequacy ratios and calculations as at 31 December 2020, in each instance, calculated in accordance with the CBO guidelines.

	As at 31 December							
	2020		2020		2019		2018	
	(RO'000)	*(USD'000)*	*(RO'000)*	*(USD'000)*	*(RO'000)*	*(USD'000)*	*(RO'000)*	*(USD'000)*
	(Group / consolidated)		*(Bank / unconsolidated)*					
Capital								
Common Equity Tier 1	336,995	876,524	241,265	627,530	270,283	703,006	267,942	696,917
Additional Tier 1.................................	72,553	188,701	72,553	188,710	72,553	188,710	72,553	188,710
Total Tier 1	409,548	1,065,225	313,818	816,240	342,836	891,716	340,495	885,627
Tier 2	25,234	65,634	18,078	47,021	21,206	55,157	28,756	74,794
Total capital base	434,782	1,130,859	331,896	863,261	364,042	946,873	369,251	960,421
Risk weighted assets								
Credit risk	2,600,029	6,762,675	1,997,015	5,194,236	2,215,780	5,763,244	2,058,470	5,354,080
Market risk..	18,200	47,338	13,075	34,008	18,288	47,567	25,775	67,041
Operational risk	201,908	525,163	165,275	429,880	161,463	419,965	148,375	385,923
Total risk weighted assets	2,820,137	7,335,176	2,175,365	5,658,124	2,395,531	6,230,776	2,232,620	5,807,044
Capital adequacy ratio (%)...............	**15.42**	**-**	**15.26**	**-**	**15.20**	**-**	**16.54**	**-**
CET1 ratio (%)	**11.95**	**-**	**11.09**	**-**	**11.28**	**-**	**12.00**	**-**
Tier 1 Capital ratio (%).....................	**14.52**	**-**	**14.43**	**-**	**14.31**	**-**	**15.25**	**-**

Tier 1 capital consists of paid-up capital, reserves and perpetual bonds. Tier 2 capital consists of subordinated bonds and ECL on stage 1 and stage 2 exposures in line with the circular BSD/CB/FLC/2019/17.

Impairment provisions

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL: financial assets that are debt instruments, financial guarantee contracts issued and financing commitments issued. No impairment loss is recognised on equity investments The Group measures loss allowances at an amount equal to lifetime ECL, except for other financial instruments on which credit risk has not increased significantly since their initial recognition which are measured at 12-month ECL. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

OVERVIEW OF THE SULTANATE OF OMAN

INTRODUCTION

Oman is the second largest country by geographical area among the states of the GCC region, after Saudi Arabia. It is spread over 309,500 square kilometres and has a 3,165 kilometre coastline. It is strategically placed at the mouth of the Arabian Gulf. It is divided into eleven main governorates: Muscat, Musandam, Al Buraimi, Al Dakhiliyah, Al Batinah North, Al Batinah South, Al Sharqiyah North, Al Sharqiyah South, Al Dhahirah, Al Wusta and Dhofar. The governorate of Musandam is an exclave of Oman, separated from the rest of Oman by the UAE. The governorates are subdivided into a total of 61 provinces or Wilayats. Muscat is the political and business capital. Other prominent cities are Salalah, Sohar, Sur, Nizwa and Khasab (Source: NCSI Statistical Year Book 2020). Arabic is the national and official language, but the use of English is widespread, especially in business transactions.

His Majesty Sultan Haitham bin Tarik rules the country through Sultani decrees. The Basic Law of the State, which was originally enacted in 1996, was amended and restated by His Majesty Sultan Haitham bin Tarik on 11 January 2021 through Sultani Decree 6/2021. This Sultani Decree, which effectively serves as the Constitution of Oman, was issued to: (i) promote citizens' rights and duties and public freedoms; (ii) support a better future marked by national and citizens' achievements; (iii) support state institutions and consolidate the principles of consultation; (iv) preserve the homeland, its unity and its social fabric; and (v) consolidate Oman's international standing and its role in laying the foundations of justice and the foundations of truth, security, stability and peace between different countries and peoples. In this context, the new Basic Law re-asserts the Government's role in upholding the rights and freedoms of citizens with respect to, *inter alia*, gender equality, the right to childcare, rights for the disabled, rights to life, human dignity, safety and the sanctity of private life and rights to education (including compulsory primary education and the encouragement of the establishment of universities). In addition, provisions to protect national heritage and combat trafficking in materials and objects important to Oman's national heritage have also been included.

The administrative system of the state comprises the Diwan of the Royal Court, the Council of Ministers and the Council of Oman (Majlis Oman). The Council of Oman is a consultative council of two chambers. The upper chamber, the State Council (or the Majlis Al Dawla), has advisory powers only and its members are appointed by His Majesty Sultan Haitham bin Tarik. Members of the lower chamber, the Consultative council (or the Majlis Al Shura), are elected for a term of four years. The most recent elections for Majlis Al Shura took place in October 2019. On 11 January 2021, Sultani Decree 7/2021 promulgating the Council of Oman Law was issued, which implements a new law to replace Sultani Decrees 86/97 (regarding the Council of Oman), 87/97 (promulgating the internal regulations of the State Council) and 88/97 (promulgating the internal regulations of the Consultative (A'Shura) Council). This new law sets out the competencies of the Council of Oman, its membership requirements and the rights and obligations of the members, as well as to establish new regulations for both chambers.

A census is held in Oman every ten years, with the last census conducted in 2020. As at 12 December 2020, the total population of Oman was estimated by the NCSI to be approximately 4.4 million, of which 2.7 million were Omani nationals and 1.7 million were expatriates. The total population of Oman at 12 December 2020 represents an increase in population of 55.8 per cent. compared to the census conducted in 2010, which reported a population of 2.8 million. This growth in population is due to an increase in the expatriate population as well as an increase in birth rates. The population of Oman is relatively young. The United States Central Intelligence Agency World Factbook (as updated 22 January 2021) indicated that the population's median age was 26.2 years. A key target of Government policy is providing adequate employment opportunities for its young national population. The majority of the population were Muslim, with small minorities of Christians, Hindus and Jews also present. Arabic is Oman's national and official language, but the use of English is widespread, especially in business transactions. Oman pursues an independent foreign policy with the aim of fostering good relations with its neighbours and other countries and has a non-confrontational and pragmatic approach to foreign relations. Oman has been a member of the United Nations since 1971. Oman became a member of the International Monetary Fund and the International Bank for Reconstruction and Development in 1971. Oman became a member of the World Trade Organisation in 2001.

Oman joined the Arab League in 1971 and the Organisation of the Islamic Conference in 1972. It became a member of the Non-Aligned Movement in 1973. It is a founder member of the GCC, which also includes Saudi Arabia, Kuwait, Bahrain, the UAE and Qatar. It chaired the GCC in 1996 and 2001. While Oman is not a member of OPEC, as the other members of the GCC are, Oman is a member of the GCC's Permanent Committee for Petroleum Cooperation.

Oman's economic development is coordinated through a series of five-year development plans within the framework set out by the Oman Vision 2040. Each five-year development plan sets forth the parameters within which annual national budgets are determined (including the permitted level of budget deficits and level of withdrawals from the general reserves to meet such deficits). Withdrawals from reserves exceeding budgeted amounts must be specifically authorised by Sultani Decree. A principal goal of the five-year development plans is the diversification of Oman's economy, focusing on (a) manufacturing; (b) transportation and logistics; (c) tourism, hotels and restaurants; (d) fisheries; and (e) mining, in the medium term. Oman is currently in its tenth five-year economic development plan which covers the period from 2021 to 2025. The tenth five-year plan envisages a continued drive towards the diversification of the Omani economy away from hydrocarbons and into infrastructure and other developments, under the guidance of specialist committees.

In order to achieve the targets for these sectors, the Government launched 'Tanfeedh' in 2016, a programme which aims to identify opportunities, as well as challenges, facing the public and Government sectors and civil society. 'Tanfeedh' aims to outline detailed measurable strategies and designate responsibilities, resources and implementation timeframes to execute Oman's diversification plan. As part of the five-year development plan in place as at the date of this Offering Circular, 'Tanfeedh' has identified five sectors that have high growth potential and economic returns: agriculture and fisheries, manufacturing, logistics and transport, energy and mining and tourism. In addition, 'Tanfeedh' focuses on enhancing Oman's labour market and finance industry as "community and sustainability enablers" of economic diversification.

In September 2020, Sultani Decree 100/2020 was issued, which provides for the establishment of the Oman Vision 2040 Implementation Follow-Up Unit, consolidating the Implementation Support and Follow-Up Unit and the Directorate General for Following-Up Government Services in the Secretariat General of the Council of Ministers.

RATINGS

The most recent long-term foreign and local currency sovereign rating assigned to Oman by Moody's is Ba3 (outlook negative), by S&P is B+ (outlook stable) and by Fitch is BB- (outlook negative).

ECONOMIC OVERVIEW

According to the NCSI, Oman's nominal GDP fell by 4.3 per cent. to RO 29.3 billion at the end of 2019 from RO 30.7 billion at the end of 2018, mainly due to a decline in the value added of oil activities by 8.4 per cent. and a decrease in non-oil activities by 1.5 per cent.

Oman's nominal GDP decreased by 13.4 per cent. during the second quarter of 2020, as compared to the same period in 2019, according to preliminary data released by the NCSI. This contraction in the economy was driven by a 20 per cent. decrease in the hydrocarbon sector activities, as well as a 9.9 per cent. decrease in the non-hydrocarbon sector activities during the second quarter of 2020. Moreover, the Ministry of Economy estimates that nominal GDP for 2020 will be approximately RO 24.7 billion. Due to the emergence of COVID-19, coupled with the resulting slowdown in the global hydrocarbon industry, the IMF has forecast real GDP growth in Oman will decrease by 10.0 per cent. in 2020 and by 0.5 per cent. in 2021, before recovering to grow by 11.0 per cent. in 2022.

The youth unemployment rate in Oman remained high at 13.2 per cent. in 2019, compared to 15.1 per cent. in 2015.

Despite its diversification efforts, Oman's economy continues to be dominated by oil and gas activities, which accounted for 34.4 per cent. of nominal GDP during the year ended 31 December 2019 as compared to 35.9 per cent. of nominal GDP during the year ended 31 December 2018. Hydrocarbon sector activities were impacted by the lower average oil prices and lower production levels as a result of OPEC production cuts agreed to by Oman in April 2020, as a non-OPEC producer, in order to align on production levels. Further production cuts of 5.8 million barrels per day are expected to continue from January 2021 until the end of April 2022. The oil and gas sector's contribution to nominal GDP decreased by 8.4 per cent. during the year ended 31 December 2019, as compared to the year ended 31 December 2018. The non-oil and gas sector's contribution to nominal GDP also decreased by 1.5 per cent. during the year ended 31 December 2019, as compared to the year ended 31 December 2018, with decreases across several major areas including services, manufacturing, mining and quarrying and construction.

While revenues, in particular oil revenues, have declined in the past during periods of relatively low oil prices, Government spending has been stable, resulting in large fiscal deficits. Oman's budget deficit in 2019 was RO 2.3 billion, as compared to RO 2.8 billion in 2018. Oman's budget deficit was expected to be RO 2.5 billion in 2020, however due to the COVID-19 pandemic this was revised to RO 4.2 billion. Oman's budget deficit represented 7.8 per cent. of GDP in 2019, as compared to 9.0 per cent. in 2018. Oman's budget deficit is expected to have increased to 14.1 per cent. of GDP in 2020, as a result of lower oil prices and the COVID-19 pandemic. The Government expects a budget deficit of RO 2.2 billion, amounting to 8.7 per cent. of GDP, in 2021. It is expected that 73 per cent., or approximately RO 1.6 billion, of the deficit for 2021 will be financed through external and domestic borrowing with the remaining 27 per cent. of the deficit, approximately RO 600 million, is expected to be covered by drawing on reserves.

OMAN BUDGET 2021

The Oman budget for 2021 was promulgated by Sultani Decree 2/2021, issued on 1 January 2021, and is considered the first budget to be published as part of Oman's Tenth Five-Year Plan, intended to support the implementation of Oman's Vision 2040.

The 2021 budget forecasts a deficit of RO 2.2 billion and provides for an assumed average oil price of U.S.$ 45 per barrel. This is a marked reduction from the projected deficit of RO 4.2 billion in 2020. The average oil price was also comparably budgeted at U.S.$58 per barrel in 2020.

MEDIUM-TERM FISCAL PLAN

The Government announced a medium-term fiscal plan (**MTFP**) that had been developed to cover the years 2020 to 2024, with the objective of "achieving fiscal balance in the medium-term".

The MTFP effectively provides for the financial framework of Oman's Vision 2040, and is intended, among other things, to support economic growth and diversify sources of Government revenues, in the face of the impact felt on the national economy as a result of the mid-2020 oil price crisis and the COVID-19 pandemic.

Some of the measures mentioned in the MTFP include the introduction of VAT (in April 2021) and personal income tax, as well as an overhaul of Government fees for services and subsidy reforms, and the encouragement of tourism through visa exemptions granted to citizens from certain countries.

ANNUAL INDICATORS

The following table sets out the major macroeconomic indicators for Oman for the years indicated based on the NCSI Statistical Year Book 2020:

	2015	**2016**	**2017**	**2018**	**2019[(1)]**
Real GDP (*RO millions*)	26,307.2	25,162.2	27.140.2	30,678.2	29,349.5
GDP Growth rate (per cent.)	(15.2)	(4.4)	7.9	13.0	(4.3)
CPI Inflation Rate (per cent.)	0.1	1.1	1.6	0.9	0.1

Notes:
(1) The data for 2019 is provisional.

OMAN BANKING SYSTEM AND PRUDENTIAL REGULATIONS

Overview

The Oman banking system comprises commercial banks, specialised banks (such as Oman Housing Bank, as highlighted below), Islamic banks and windows, non-bank finance and leasing companies and money exchange establishments. As at 31 December 2020, the number of conventional commercial banks stood at 16, of which seven were locally incorporated and nine were branches of foreign banks (Source: CBO Quarterly Statistical Bulletin December 2020). The locally incorporated conventional commercial banks are the Bank, National Bank of Oman SAOG, HSBC Bank Oman SAOG, bank muscat SAOG, Bank Dhofar SAOG, Sohar International Bank SAOG (previously Bank Sohar SAOG) and Ahli Bank SAOG. The largest bank by a significant margin is bank muscat SAOG, which had approximately RO 12.5 billion (U.S.$32.3 billion) in assets as at 31 December 2020 (Source: bank muscat SAOG consolidated financial statements for the year ended 31 December 2020).

As at 31 December 2020, conventional banks in Oman had total deposits of RO 20.5 billion compared to RO 20.6 billion as at 30 September 2020 and RO 20.4 billion as at 30 June 2020 and total credit of RO 22.3 billion as at 31 December 2020 compared to RO 22.2 billion as at 30 September 2020 and RO 22.2 billion as at 30 June 2020 (Source: CBO Quarterly Statistical Bulletin December 2020).

The Oman banking system includes two Government owned specialised banks, namely, Oman Housing Bank and Oman Development Bank which were established by the Government to provide long term financing to low and middle income nationals as well as to providing loans to development projects including agriculture, fisheries, livestock, tourism and traditional craftsmanship. Interest rates on loans advanced by the two specialised banks are subsidised by the Government. As at 31 December 2019, loans and advances extended by Oman Development Bank increased to RO 569.5 million, a 5.5 per cent. increase from the end of 2018 (Source: CBO Annual Report 2019).

Also, prominent in the sector is a group of five non-bank financial services providers, commonly referred to as "Leasing companies". Leasing companies are regulated by the CBO and engage in leasing, hire purchase, debt factoring and similar asset-based financing in Oman.

Islamic Banking

In December 2012, the Oman Banking Law was amended by Sultani Decree 69/2012 (promulgated on 6 December 2012) to allow the CBO to licence the conduct of banks in Oman to carry out Islamic banking business through either fully fledged Islamic banks or windows of conventional banks. Oman was the last of the GCC countries to introduce Islamic banking.

The objective behind the introduction of Islamic banking in Oman was to diversify and widen the pool of banking products available to retail and corporate customers. Along with an amendment to the Oman Banking Law, the IBRF provides detailed and comprehensive guidance on all aspects of Islamic banking. For example, the IBRF sets out the requirements for obtaining an Islamic banking licence from the CBO, the various accounting and reporting standards that Islamic banks licensed by the CBO are required to comply with as well as the supervisory role of the CBO in relation to various Islamic banking practices and products.

The introduction of Islamic banking in Oman was an important milestone as it added a number of new entrants to the banking system enhancing the competitive environment in terms of efficiency and innovation as well as providing customers with the benefit of choosing between conventional and Islamic banking products.

As at 31 December 2020, there were two full-fledged locally incorporated Islamic banks: Bank Nizwa SAOG and AIB. Bank Nizwa SAOG commenced operations in December 2012 and AIB commenced operations towards the end of 2013. A number of conventional banks, including the Bank, bank muscat SAOG and Bank Dhofar SAOG have established windows for Islamic banking (Source: CBO Quarterly Statistical Bulletin December 2020).

As at 31 December 2020, Islamic banks and windows in Oman had total deposits of RO 3.8 billion compared to RO 3.6 billion as at 31 December 2019 and total financing of RO 4.3 million compared to RO 4.0 million as at 31 December 2019 (Source: CBO Quarterly Statistical Bulletin December 2020).

International banks

The Foreign Capital Investment Law came into force on 1 January 2020, replacing the Old FCIL. The Foreign Capital Investment Law provides for a list of sectors or activities in which foreign investment is prohibited, to be issued by a decision of the MOCIIP. The Foreign Capital Investment Law allows for full foreign ownership of companies and establishments conducting certain activities. In December 2020, the MOCIIP issued Ministerial Decision No. 209/2020 determining the list of activities which foreign investors are prohibited from engaging in. This does not include banking activities. As at 31 December 2020, the foreign banks operating in Oman through branches include Standard Chartered Bank, Habib Bank Ltd, Bank Melli Iran, First Abu Dhabi Bank, Bank Saderat Iran, Bank of Baroda, State Bank of India, Bank of Beirut and Qatar National Bank (Source: CBO Quarterly Statistical Bulletin December 2020).

Bank Regulation in Oman

The Central Bank of Oman

The CBO was established in the beginning of 1974 and was a result of the steady evolution of the monetary system in Oman, coupled with the vast economic development in the country. The two monetary authorities which preceded the establishment of the CBO were the Muscat Currency Authority and the Oman Currency Board.

The CBO acts as the depository agency for the Government and is responsible for regulating and supervising Oman's commercial banks, specialised banks and finance and leasing companies. Money exchange companies are also regulated by the CBO. Amongst its other responsibilities, the CBO is responsible for making advance payments to the Government in respect of temporary deficiencies in current revenues and further manages loans on behalf of the Government. Additionally, the CBO is responsible for accepting deposits from banks operating in Oman and other foreign central banks. In particular, the CBO accepts two types of deposits from commercial banks, namely those deposits required by the Oman Banking Law and voluntary deposits deposited by commercial banks (Source: CBO website data obtained on 3 March 2021). The CBO is also responsible for advancing credit to local banks and engaging in investment activities through trading in investment products. In addition to the above mentioned functions, the CBO acts as a clearing house for all banks operating in Oman and is responsible for issuing the national currency and supervising its circulation and value.

Omani banks are subject to the Oman Banking Law and banking regulations issued by the CBO. Banks are also required to comply with (amongst other laws of general application) the Commercial Companies Law, the Law of Commerce promulgated by Sultani Decree 55/1990 (as amended), the Oman Labour Law promulgated by Sultani Decree 35/2003 (as amended), the Capital Markets Law promulgated by Sultani Decree 80/98 (as amended) and the Social Insurance Law promulgated by Sultani Decree 72/1991 (as amended).

Banking Laws and Regulations

Several regulatory and supervisory initiatives have been implemented by the CBO to develop a competitive and sound banking system. Bringing about greater financial inclusion, developing sound risk management systems, and broadening prudential norms have been the core of the recent regulatory and supervisory directives issued by the CBO. Below is a summary of the main Omani banking laws and regulations:

Capital Requirements

Pursuant to CBO Circular BM 1019 issued on 9 April 2007, a minimum paid up capital requirement of RO 100 million is required to establish a new local commercial bank and a minimum paid up capital requirement of RO 20 million is required to establish a foreign bank in Oman. Existing banks (such as the Bank) are required to meet this requirement progressively.

Capital Adequacy

In line with international best practices, the CBO issued two concept papers titled "Regulatory Capital under Basel III" and "Composition of Capital Disclosure Requirements" (CBO Circular No BM 1114 issued on 17 November 2013). The two concept papers are based on the rules issued by the Basel Committee and provide for guidelines on regulatory capital and disclosure requirements under Basel III. The guidelines set out in the concept papers stress the importance of ensuring that risk exposures of a bank are backed by an adequate amount of high quality capital which absorbs losses on a going concern basis.

The guidelines issued by the CBO require banks operating in Oman to have a robust capital adequacy framework which comprises a total capital adequacy ratio of 13.5 per cent. of risk weighted assets. Common equity tier 1 capital should be maintained at a minimum level of 9.5 per cent. and tier 1 capital at a minimum level of 11.5 per cent. of risk weighted assets, with effect from 31 December 2013. The NSFR together with the LCR are the key reforms proposed by the Basel Committee to promote a more resilient banking sector. The NSFR requires banks to maintain a stable funding profile in relation to the composition of their assets and off balance sheet activities. The NSFR limits overreliance on short-term wholesale funding and encourages better assessment of funding risks across all on and off balance sheet items, and promotes funding stability. The Basel Committee's LCR promotes the short term resilience of the liquidity risk profile of banks by ensuring that they have sufficient high quality liquid assets to survive a significant stress scenario lasting thirty calendar days. Since 1 January 2018, the standard LCR has been set at a minimum of 100 per cent. in Oman. The Bank's NSFR as at 31 December 2020 was 120 per cent. The Bank's LCR as at 31 December 2020 was 158 per cent.

The CBO had previously issued norms for a Capital Conservation Buffer and a Countercyclical Capital Buffer of 2.50 per cent. each, in alignment with Basel III norms. In March 2020, the Capital Conservation Buffers were lowered to 1.25 per cent., as part of stimulus measures in reaction to the COVID-19 pandemic. All commercial banks are currently complying with the Capital Conservation Buffer requirement.

The CBO introduced a PCA in 2005, which makes it mandatory for banks to take corrective actions if their total capital adequacy ratio falls below a certain level. The corrective actions consist of certain mandatory and discretionary actions that apply to each relevant trigger point set by the CBO. As at the date of this Offering Circular, the PCA will be triggered if the total capital adequacy ratio of a bank falls below 13 per cent.

Instruments issued in excess of the Basel III limits for recognition will be phased out by 31 December 2022.

Framework for D-SIBs

In January 2015, the CBO issued a framework for D-SIBs which sets out a list of recommendations and requirements for banks identified as systemically important in Oman. The framework is based on the recommendations of the Basel Committee and requires banks identified as systemically important to comply with certain exclusive requirements to prevent their failure. For example, D-SIBs will be subject to an enhanced capital surcharge (comprised of common equity tier 1 capital) of 1.0 per cent. to 2.5 per cent. (with a potential "un-populated" bucket of 3.5 per cent., similar to the calibration under the Basel III framework) of risk-weighted assets in increments of 0.5 per cent., based on their relative systemic importance. Further, D-SIBs in Oman are required to conduct rigorous stress testing exercises, implement a well-defined crisis management system and build a robust recovery and resolution mechanism (which may include creation of a "resolution fund", provisions for inherent bail-in mechanisms, enabling asset sales and taking other measures to ensure depositors are protected). Further, D-SIBs are required to submit a vision statement to the CBO outlining their medium and long term projections and the strategies they have implemented to address systemic risk. As part of the framework, the CBO has also set out measures relating to the enhancement of its supervisory regime and how it will work with D-SIBs more effectively to monitor and assess their ongoing operational and financial performance. While, based on back-tested data between 2010 to 2013, five banks could potentially be designated as D-SIBs, the CBO has, at the date of this Offering Circular, designated only one bank as a D-SIB and not designated the Bank as a D-SIB. The CBO's decision to designate a bank as a D-SIB is, however, subject to ongoing regulatory review and the Bank could become subject to such designation by the CBO in the future.

Bank Resolution Framework

Following the regulatory regime established by the CBO for D-SIBs, on 15 April 2019 the CBO issued a "Bank Resolution Framework for Oman". The purpose of the framework is to prepare banks for self-propelled recovery, and if necessary, allows the relevant authorities to resolve the bank in an orderly way with minimum disruption and cost whilst maintaining financial stability. The "Bank Resolution Framework for Oman" sets out the recovery and resolution regime for the banking sector in Oman including amongst other things, the conditions and triggers for the resolution, rules regarding initiating a resolution, rules relating to the priority of claims and recovery and resolution plans. The framework is applicable to all banks designated as D-SIBs by the CBO and the CBO at its discretion may apply the framework or any part of it to any other local bank licensed by the CBO.

Lending Ratio

Pursuant to CBO Circular BM 1051 issued on 23 December 2008, no licensed bank in Oman is permitted to lend (whether by loans, discounts, advances or overdrafts and whether secured on unsecured) when such lending in aggregate exceeds 87.5 per cent. of the bank's deposits. Deposits of the bank are determined as the sum of a bank's total demand deposits, saving deposits, time deposits, margin accounts, net amounts due to head office or the bank's own branches abroad, net amount due to other banks abroad and capital funds. CBO Circular BM 1155, issued on 20 March 2018, modified the aforementioned circular with the effect that local inter-bank positions are now taken into account for lending ratio purposes. Borrowings and placements are therefore now included in a bank's deposit base (where such borrowings and placements are from other commercial banks) and any lendings and placements made to other commercial banks are reduced from its deposit base (for lending ratio purposes).

Reserves against Deposits

Pursuant to Article 62 of the Oman Banking Law, all banks operating in Oman are required to maintain a deposit with the CBO in an amount which, when added to the aggregate amount of currency and coin, foreign and domestic, held by such bank shall be: (i) not more than 40 per cent. of the total daily amount of all demand and saving deposits made with such bank within Oman; and (ii) not more than 30 per cent. of the total daily amount of all time deposits with such bank within Oman.

Pursuant to CBO Circular BM 1050 issued on 23 December 2008, as amended by CBO Circular BM 1143 issued on 30 March 2016, the percentage of the total amount of reserves against time, savings and demand deposits is currently 5 per cent.

Pursuant to CBO Circular BM 1143 issued on 30 March 2016, the reserve maintenance requirement of 5 per cent. is now allowed to be kept in the form of Government bonds, sukuks and treasury bills up to a maximum of 2 per cent. and the remainder must be kept in the form of a clearing account balance.

Lending Limits

Diversification of risks is a key precept in banking. Past experiences indicate that substantial loan losses were triggered by credit concentration to connected counterparties or related parties. Besides individual exposures, credit concentrations also involve excessive exposure to sectors, industries and countries leading to risk implications in the loan books of banks (Source: CBO Circular BM 1024 issued on 22 September 2007). To maintain financial stability, the CBO has issued a number of limits and rules with the objective of limiting potential losses arising out of excessive concentration of credit risk:

Loans to a single borrower: pursuant to Article 68(b) of the Oman Banking Law, the total direct or contingent obligation to any licensed bank by any borrower, other than the Government, shall not exceed 15 per cent. of the total net worth of such licensed bank. Article 5 of the Oman Banking Law defines net worth as the aggregate amount of the assets less liabilities both within and outside Oman, other than capital and surplus of a licensed bank.

Lending to non-residents: the credit exposure to non-residents and placement of bank funds abroad has been re-examined by the CBO due to the risks associated with such exposures. Accordingly, the CBO has reviewed some of the existing regulatory norms with regard to cross border exposures of banks and certain modifications have been made with regards to the limits placed on the aggregate credit exposures to non-residents and their related parties. In particular, pursuant to a CBO Circular BM 1120 issued on 31 March 2014, a bank operating in Oman must not lend:

- more than 2.5 per cent. of its local net worth to a non-resident borrower and its related parties. Local net worth of a licensed bank is the total regulatory capital reduced by exceptional investments under Article 65(e) of the Banking Law and reduced by the assigned capital for overseas subsidiaries, associates or affiliates mandated for deduction from capital as per specific CBO directions (Source: CBO Circular BM 988 issued on 31 May 2005);

- more than 20 per cent. of its local net worth in aggregate to all non-resident borrowers (other than banks) and their related parties;

- more than 30 per cent. of its local net worth in aggregate to all non-resident borrowers (including banks) and their related parties. Further, any single credit exposure of U.S.$5 million or above to a non-resident borrower other than a non-resident bank shall only be undertaken through syndication; and

- pursuant to CBO Circular BSD/2018/3 issued on 20 March 2018, the prudential limits for credit exposures and placement of bank funds abroad under CBO Circular BM 1120 have been revised to the following limits, with effect from 1 April 2018:

Limits as per BM 1120	**Revised Limits**
Aggregate credit (funded and non-funded) exposure to all non-resident borrowers and related parties (both banks and other than banks) – limit at 50 per cent. of local net worth	75 per cent. of local net worth of the bank

Total placements with related parties and total placements with non-related parties – limit each at 50 per cent. of local net worth	75 per cent. of local net worth of the bank
Aggregate placements and credit exposures to all related and non-related parties – limit at 50 per cent. of local net worth	75 per cent. of local net worth of the bank

Banks were also instructed in 2014 to take effective measures in regards to FATCA to identify their target customers and obtain their consent for making the necessary disclosures.

Loans to SMEs: In an effort to develop the SME sector in Oman, the Government and the CBO took measures towards encouraging prospective entrepreneurs. The CBO directive to banks is to implement a liberal lending policy for SMEs and to achieve a minimum of 5 per cent. of their total credit allocation to SMEs (Source: CBO Circular BM 1141 issued on 12 January 2016 and CBO Circular BM 1150 issued on 26 April 2017). SMEs are:

- micro enterprises, being those which have between 1 and 5 employees and an annual turnover of less than RO 100,000;
- small enterprises, being those which have between 6 and 25 employees and an annual turnover of between RO 100,000 and 500,000; and
- medium enterprises, being those which have between 26 and 99 employees and an annual turnover of between RO 500,000 and 3,000,000.

On 10 March 2019, the CBO relaxed the above mentioned 5 per cent. allocation of total credit to SMEs, by allowing banks to reckon fund-based credit facilities sanctioned to funds or entities set up for the development of SMEs for the purpose of on-lending to and for the promotion of SMEs, as part of a bank's SME lending up to a maximum of 1 per cent. of the minimum stipulated 5 per cent. of total credit subject to compliance with the requisite due diligence and credit assessment policies (Source: CBO Circular BM 1159 issued on 10 March 2019). As at 31 December 2020, the total percentage of the Bank's lending which is allocated to SMEs was approximately 6.5 per cent.

Loans to directors and senior management: pursuant to Article 68(b) of the Oman Banking Law the total direct or contingent obligation to any licensed bank by a senior member in the management of the licensed bank and any related parties shall not exceed 10 per cent. of the amount of net worth of such bank. The aggregate of lending to all senior members and any related parties shall not exceed 35 per cent. of the amount of the net worth of the licensed bank.

In addition to imposing a limit on the aggregate lending to directors and senior management, the CBO requires banks to remove members of senior management who have doubtful or classified loans with the bank (Source: CBO Circular BM 985 issued on 15 February 2005).

Loans secured by real estate: in accordance with Article 68(e) of the Oman Banking Law, a bank operating in Oman is not permitted to make any loan secured by real estate when either the total value of real estate held by the bank, or the aggregate amount of the outstanding loans against which the real estate is held, whichever is lower, exceed 60 per cent. of the net worth of such licensed bank within Oman or 60 per cent. of all time and saving deposits other than Government and inter-bank deposits of such licensed bank, whichever is greater. As at 31 December 2020, the Bank's loans secured by real estate amounted to 67 per cent. of the Bank's time and savings deposits. In common with several other banks in Oman, the Bank is working with the CBO towards meeting this requirement.

Ceiling on personal loans and mortgages: pursuant to CBO Circular BM 1109 issued on 23 May 2013 and in light of the rise in personal loan indebtedness, the ceiling imposed on the aggregate of personal loans banks may advance is currently 35 per cent. of total credit whilst mortgages continue to have a ceiling of 15 per cent. of total credit. Pursuant to CBO Circular BDD/CBS/CB/2017/3950 issued on 30 August 2017, conventional banks will be constrained by a 15 per cent. limit on total credit in relation to housing loans and a 35 per cent. limit in relation to non-housing loans. Such limits are set independently for Islamic banking windows.

As per CBO Circular ref. IBD/IBEs/2019/503 dated 30 December 2019, Islamic banks and windows were permitted a combined maximum housing and non-housing personal finance limit of 50 per cent. of total finance until 31 December 2021. They are required to reduce their housing finance to 35 per cent. of total finance by 31 December 2021.

Oman Credit and Financial Information Centre

The Bank Credit and Statistical Bureau (the BCSB) is a centralised statistical bureau maintained by the CBO. Amongst other things, the primary function of the BCSB is to collect and synthesise financial information on current and prospective borrowers, guarantors and account holders as well as connected counterparties of licensed banks. The BCSB is responsible for providing reports to licensed banks with the objective of facilitating the smooth functioning of the credit market. Banks and finance companies operating in Oman must report credit and financial information of any current or prospective borrower or guarantor and its related parties on a monthly basis.

On 8 May 2019, the OCFIC Law was issued establishing the Oman Credit and Financial Information Centre (the **OCFIC**, also known as Mala'a). The OCFIC has financial and administrative independence and is supervised by the CBO. As of the date of this prospectus, Mala's has become operational and has fully replaced the BCSB.

Loan Loss Provisioning

Subject to "*—IFRS 9 Implementation and Reporting*" below, the CBO has directed banks to have appropriate systems to classify loans on the basis of well-defined credit weaknesses and to have robust provisioning in place. Pursuant to CBO Circular BM 977 issued on 25 September 2004, NPLs should be classified as either standard, special mention, substandard, doubtful or loss depending on the number of days the credit has been due.

This circular provides that any proposed settlement for less than full value of delinquent debt of directors or management requires the prior approval of the CBO. Loans in arrears for more than 90 days are classified as non-performing. Of these, banks have to provide 25 per cent., 50 per cent., and 100 per cent. against loans classified as sub-standard, doubtful and losses, respectively. In addition to specific provisions for classified loans, banks are required to create general loan loss provisions, at a minimum of 1 per cent. of their corporate loans which are categorised as "Standard" and "Special Mention". Further, a minimum general loss provision of 2 per cent. of personal loans categorised as "Standard" and "Special Mention" must be maintained by all banks operating in Oman.

IFRS 9 Implementation and Reporting

The IASB issued IFRS 9 in July 2014 as a replacement of the existing standard IAS 39 on Financial Instruments: Recognition and Measurement. The new standard, formulated to address accounting issues of the global financial crisis of 2007 and 2008, represents a paradigm shift in accounting for financial instruments with a specific focus on their impairment. It simplifies and proposes a single objective model for classification and measurement of financial instruments, proposes simple business oriented rules for hedge accounting and lays down norms affecting accounting policy/procedure changes and more detailed/transparent financial statement disclosures.

All three phases of IFRS 9 are effective from the year beginning on or after 1 January 2018. The three phases are: (i) classification and measurement of financial assets; (ii) impairment; and (iii) hedging. The CBO issued Circular BM 1149 on the implementation of IFRS 9 on 13 April 2017, which aimed to promote consistency and comparability in reporting across Omani banks, provide a robust alternative while replacing existing prudential norms under CBO Circular BM 977, and set out management's responsibilities and requirements for board approved IFRS 9 policies, policy deviation reporting and norms for creating a regulatory impairment reserve.

The CBO Circular BM 1149, which follows on from BM Circular 977, states that banks should concurrently compute the total provisions for impairment as required by the existing guidelines on provisioning for non-performing and restructured loans. As at the date of this Offering Circular, the Bank has complied, and will comply, with the dual track of IFRS 9 and BM Circular 977. The expected credit loss/provision charge to the Bank's statement of income for the year ended 31 December 2020 was as per IFRS 9 guidelines. In accordance with the dual track, if the total provision required under BM Circular 977 is higher than IFRS-9 requirements, such excess is transferred to the IFRS 9 special impairment reserve from retained earnings and this special impairment reserve is not eligible for distribution nor for capital recognition. In March 2021, the CBO suspended the dual track approach and banks are not required to compute additional provision as per CBO norms for the financial year 2021.

Bank Deposit Insurance Scheme

Pursuant to Sultani Decree No 9/1995 promulgating the law of Banking Deposit Insurance System (as amended), a banking deposit insurance scheme was established by the CBO. The objectives of establishing the bank deposit insurance scheme are to provide comprehensive deposit insurance cover, sustain public confidence in the financial soundness of the banking system and to assist banks in financial difficulty. Deposits placed by a natural or juristic person with any bank operating in Oman are protected by the deposit insurance scheme up to an amount of RO 20,000. The deposits covered by the scheme include saving deposits, current deposits, temporary deposits, time deposits, Government deposits and any other deposits of the same nature.

Banks in Oman are required to register with the bank deposit insurance scheme and to pay an annual insurance premium of 0.05 per cent. of their annual average deposits to the CBO to support this system.

Loan and Interest Rate Ceilings

As a result of the rising level of individual loan indebtedness, the CBO imposed an aggregate quantitative ceiling on personal loans and mortgages. A debt service ratio has been capped at 50 per cent. of net salary receipts on personal loans and 60 per cent. on mortgages. Further, banks in Oman are only permitted to advance personal loans (other than mortgages) after 24 months of satisfactory conduct of an existing loan or after 50 per cent. of an existing loan is repaid (Source: CBO Circular 1094 issued on 23 May 2012).

In light of the global decline in interest rate trends, the CBO decided to reduce the interest rate ceiling on personal loans and mortgages from 7 per cent. to 6 per cent., with effect from October 2013. The CBO requires banks in Oman to treat the 6 per cent. ceiling as the maximum and not an entitlement. Banks in Oman are encouraged to offer competitive rates consistent with international market forces and to ensure the flow of credit to all sectors including agriculture, industry and SMEs (Source: CBO Circular BM 1112 issued on 2 October 2013).

Maturity Mismatch Ceiling

Pursuant to CBO Circular BSD/2018/2 issued on 20 March 2018, cumulative gaps in Omani Rial, U.S. Dollars and other currencies have been revised from the limits set originally in Circular BM 955 dated

7 May 2003 and may not exceed the following limits of a bank's cumulative liabilities in each of the five designated time bands. These revised limits took effect on 1 April 2018:

Time Band	**Limits as per CBO Circular BSD/2018/2**
Up to one month	15 per cent.
1-3 months	15 per cent.
3-6 months	20 per cent.
6-9 months	25 per cent.
9-12 months	25 per cent.

Banks may fix their own limits on mismatches for time bands greater than one year.

Investment Criteria

Article 65 of the Oman Banking Law sets out the general credit and investment powers of banks as follows. A domestic bank may:

- purchase, sell, accept or negotiate items and bonds, notes, debentures, treasury bills, bonds issued by the Government, written securities guaranteed by the Government and tangible and intangible property. In accordance with CBO Circular BM 938 issued on 13 May 2002, as amended by CBO Circular BM 1144 issued on 12 April 2016, the total aggregate value of a bank's investment in Government development bonds must not exceed 45 per cent. of the bank's net worth;

- receive upon deposit or for safekeeping, money, securities, papers of any kind or any other personal property;

- open accounts with the CBO, and utilise the CBO as a clearing house;

- open accounts with other local or overseas banks;

- purchase, hold and sell for its own account bonds, notes, debentures and other evidences of an obligation for the payment of money provided that such obligations are not in default at the time of acquisition by the bank and that the aggregate value of such investments does not exceed 10 per cent. of the bank's net worth and that any investment in a particular security does not exceed 5 per cent. of the bank's net worth. Investments in companies domiciled outside Oman should not exceed 25 per cent. of the 10 per cent. ceiling mentioned above;

- purchase, hold and sell for its own account securities issued or guaranteed by the Government or any foreign government provided that such securities are publicly traded and have a maturity period of not more than 90 days. Investment in shares and securities if the corporation is formed by the Government should not exceed 5 per cent. of the bank's net worth;

- purchase, hold and sell for its own account shares and securities of corporations domiciled in or outside Oman provided that such investment if made in related companies or other licensed banks has been approved by the CBO, and that any such investment in a particular security does not exceed 5 per cent. of the shares of such corporation and that all such investments by the bank do not exceed 20 per cent. of the bank's net worth. Further, investment in companies domiciled outside Oman should not exceed 25 per cent. of the 20 per cent. ceiling mentioned above; and

- purchase, hold and sell for its own account, foreign currency or other monetary assets in the form of cash, bullion, gold and any other metal utilised as a monetary asset.

Banks operating in Oman are required to strictly adhere to the investment limitations provided for in Article 65 of the Oman Banking Law. The CBO expects banks to be reasonably conservative in investment decisions and to appropriately balance any risks associated with such investments. In addition, the CBO directs banks to implement a comprehensive investment policy approved by the bank's board of directors and to submit such policy to the CBO (Source: CBO Circular BM 958 issued on 5 August 2003).

Foreign Exchange Trading

Pursuant to CBO Circular BM 341 issued on 10 March 1982, banks are permitted to take total foreign exchange positions, defined as the aggregate of all overbought and oversold positions, of up to 40 per cent. of the bank's capital and reserves in Oman. The limit applies to all foreign currencies without exception. Banks in Oman are required to submit data to the CBO which shows their foreign exchange positions on a monthly basis. Specialised banks and leasing companies are not permitted to take positions in foreign exchange.

Future Transactions in Foreign Exchange and Commodity Hedging Products

Banks in Oman are not permitted to offer any complex derivative products such as target redemption forwards, range accruals or any other similar structures which result in unlimited downside risk to the bank's customer. Plain vanilla derivative products can be offered for hedging purposes and banks are required to ensure that derivative transactions are not used for speculative purposes. Further, in undertaking hedging products, banks are required to assess the overall hedging undertaken by the customer and to ensure that the total notional amount of derivative transactions is not more than the notional amount of the underlying exposure (Source: CBO Circular BM 545 issued on 3 December 1989, CBO Circular BM 546 issued on 13 December 1989, CBO BM 845 issued 24 June 1998 and CBO Circular BM 1006 issued on 9 June 2006).

Exchange Control and Foreign Exchange Rates

The CBO is responsible for Omani exchange rate and monetary policy. Since 1986 a stable exchange rate has been maintained between the Omani Rial and the U.S. Dollar through the Omani Rial being pegged to the U.S. Dollar (RO 1= USD 2.6008) (Source: CBO Annual Report 2019). There are no exchange controls (other than in relation to the Israeli currency) and capital may move freely to and from Oman.

Anti-Money Laundering

Banks in Oman are required to adhere to the provisions of the AML Law. The AML Law sets out the obligations of financial institutions, including banks, in relation to anti-money laundering, combating, and financing of terrorism law. The obligations banks are required to adhere to include amongst other things, identifying and verifying customers based on reliable and independent sources and data issued by official authorities, establishing and verifying the identity of any person acting on behalf of a customer of the bank, establishing the identity of true beneficiaries and updating the relevant authority with such information. The AML Law further requires banks to adopt a risk management system to determine whether a particular customer poses any risk, and in such event, the bank is required to obtain senior management approvals and take appropriate measures to determine the source of the customer's funds before establishing a business relationship with such customer. The AML Law further sets out the penalties applicable in the event of failure of a bank to adhere to any of the obligations set out in the AML Law.

Oman is also party to bilateral and multilateral treaties for cooperation and interactions in respect of anti-money laundering. Oman co-operates with the Financial Action Task Force and MENA Financial

Action Task Force Mutual Evaluations, resulting in identifications of areas requiring improvement. The CBO monitors licensed institutions through periodic reports and on-site examinations.

Other Oman Banking Law Requirements

The Oman Banking Law imposes, among other things, the following requirements:

Regular reports: Pursuant to Article 72 of the Oman Banking Law, each licensed bank must submit to the CBO an annual report, audited by independent auditors, and certain interim reports and monthly reports as prescribed from time to time by the regulations of the CBO. These reports must be accurate and must include, but not be limited to, information reflecting the financial condition both within and outside Oman of that bank, showing in detail the assets and liabilities of the bank, the amount of domestic and foreign currency held by such bank and the amount, nature and maturities of all items and instruments, securities and other investments owned or held by such bank, to the extent that such information is related to the conduct of banking business, both within and outside Oman. In addition, licensed foreign banks must file copies of reports prepared within Oman for submission to banking authorities which have jurisdiction over them and which reflect the aggregate financial condition of all operations of the licensed bank.

Real and Personal Property and Secured Transactions: Pursuant to Article 66 of the Oman Banking Law, a bank operating in Oman may purchase, acquire or hold, lease or otherwise convey real and personal property which has been conveyed to it in satisfaction of debts previously contracted in the normal course of banking business, which it has acquired at sales under judgment decrees or as the result of foreclosure sales and mortgages. However, all real property acquired by the bank or which has been transferred to it in these ways must be sold or otherwise disposed of by the bank within 12 months of the date of acquisition unless approval for an extension is obtained from the CBO.

Omanisation of Personnel in Banking Sector

With the objective of raising job opportunities for Omanis, the CBO requires all banks operating in Oman to achieve an Omanisation ratio of at least 90 per cent. By December 2020, all banks operating in Oman are required to have achieved an Omanisation ratio of 80 per cent. in relation to their senior management. As regards to middle management, a ratio of 90 per cent. was required to have been achieved by all banks by December 2016. Foreign banks may be exempt from achieving the Omanisation quota in relation to their chief executive officer and/ or country managers. All banks operating in Oman are required to provide adequate training to Omani employees (Source: CBO Circular BM 1105 dated 31 March 2013 and CBO Letter BDD/CBS/CB/2018/1888 issued on 8 April 2018).

A New Banking Law

It has been announced that the CBO is reviewing a draft of a new banking law which is currently under the process of legislative procedures. The new banking law is expected to take into account current and emerging trends and developments in the banking and financial services industry. The draft has not been issued to the public. The CBO had announced that the new banking law was likely to be issued before the end of 2019; however, as at the date of this Offering Circular, there has been no further update in relation to the timings of its release.

TAXATION

*The following is a general description of certain Oman, United States and European Union (**EU**) tax considerations relating to the Capital Securities. It does not purport to be a complete analysis of all tax considerations relating to the Capital Securities. Prospective purchasers of Capital Securities should consult their tax advisers as to the consequences under the tax laws of the countries of their respective citizenship, residence or domicile of acquiring, holding and disposing of Capital Securities and receiving payments under the Capital Securities. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.*

Oman

Omani Tax Law

The statements herein regarding taxation are based on the laws in effect in Oman as at the date of this Prospectus and are subject to any changes of law occurring after such date. The following is a summary only of the material Omani tax consequences of the purchase, ownership, and disposition of the Capital Securities for beneficial owners resident in Oman. The following summary does not purport to be a comprehensive description of all the tax considerations and is not intended to reflect the individual tax position of any beneficial owner, which may be relevant to a decision to purchase, own or dispose of the Capital Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. This summary is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. Prospective purchasers of the Capital Securities are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding, and disposing of the Capital Securities, including in particular the effect of any local laws.

Omani Withholding Tax

There is a withholding tax levy on certain payments as provided by the Oman Income Tax Law (Sultani Decree 28/2009, as amended) and its Executive Regulations (Ministerial Decision 30/2012, as amended) (the "**Omani Tax Law**").

Pursuant to Article 52 of the Omani Tax Law and its amendments pursuant to Sultani Decree 9/2017 (the "**Tax Amendment**"), withholding tax is payable on the following categories of income accrued in Oman:

- royalties;
- remuneration for conducting research and development;
- remuneration for using or the right to use computer software;
- fees for management or performance of services; and
- payment of dividends on shares or interest.

Withholding tax shall not be levied on the gross amount of the aforementioned categories of income paid or credited to the account of any Oman-based "tax residents", as such term is defined under Article 18 (bis) of the Omani Tax Law as being:

*"…(1) a natural person residing in Oman during a fiscal year, **provided that**, they have been present within Oman for a period of no less than 183 consecutive or non-consecutive days during the fiscal*

*year, (2) a corporate person residing in Oman during the fiscal year, **provided that**, it meets any of the following criteria: (a) that it has been established in Oman as per the laws and Sultani decrees in force therein, or (b) that its main or actual headquarters is located in Oman",*

("Oman Tax Residents").

However, withholding tax shall be levied on the gross amount of the aforementioned categories of income paid or credited to the account of any persons who are not Oman Tax Residents in the cases specified in Article 40 of the Omani Tax Law, irrespective of whether or not such persons have a permanent establishment in Oman. Additionally, the Tax Amendments also extend the requirement to deduct withholding tax payable pursuant to Article 52 to any Ministry, authority, public institution or other public juristic person or unit of the administrative apparatus of Oman. The applicable tax rate is 10 per cent. of the gross amount paid or credited to the account of the persons specified above.

Oman-registered institutional investors are Oman Tax Residents and therefore will not be subject to Omani withholding tax. However, offshore institutional investors who are not Oman Tax Residents shall be subject to withholding tax, regardless of whether or not they are owned by Oman Tax Residents.

The Capital Market Authority on 15 May 2019 announced that, on the basis of a royal directive, withholding tax applicable to dividends and interest on foreign borrowings stands suspended for a period of three years effective from 6 May 2019 (the "**Tax Suspension**"). The Secretariat General for Taxation (currently the Oman Tax Authority) subsequently issued an open letter to Ernst and Young on 11 June 2019 in confirmation of the Tax Suspension. No copy of the aforementioned royal directive has been made available for public inspection.

While there is no definition of "interest" in the Omani Tax Law, it should be read and construed in conjunction with a further tax decision that was issued by way of Ministerial Decision No. 14/2019 (amending certain provisions of the Income Tax Law) (the "**Tax Decision**"). The Tax Decision clarifies that, for the purpose of withholding tax deductible pursuant to Article 52(5) of the Income Tax Law, the term "interest" shall not include revenues of bonds or sukuk issued by the Government of Oman or banks licensed in Oman. Consequently, the Capital Securities will not be subject to withholding tax deductions.

Additionally, there is no precise definition of "management fee" and it is not clear whether management fees would include any arrangement fee, commitment fee or agency fee. According to informal guidance issued on the FAQ section of the website of the Oman Tax Authority, whilst no withholding will be applicable for services rendered outside of Oman, payments made to foreign persons relating to services or any part thereof rendered in Oman will be subject to withholding tax deductions.

Corporate income tax

The Tax Amendments eliminated the threshold below which income is not taxed and increased the rate of tax from 12 per cent. to 15 per cent. Income tax is charged on profits and income from all sources which have been realised or have arisen in Oman. Business establishments owned by individuals, companies incorporated in Oman and permanent establishments (branches) of foreign entities are subject to income tax under the Omani Tax Law.

Tax in Oman is governed by the Omani Income Tax Law, the Law of Profit Tax on Commercial and Industrial Establishments and various other Sultani Decrees and Ministerial decisions. Income tax in Oman currently applies only to businesses.

Tax is charged on profits and income of businesses from all sources which has been realised or has arisen in Oman. It is charged on business establishments owned by individuals, companies incorporated in Oman and permanent establishments (branches) of foreign enterprises. Prior to 2017, income below

RO 30,000 was not taxed and income above RO 30,000 was taxed at 12 per cent. As a result of the Tax Amendments, income is taxed at 15 per cent. from 2017, and the threshold below which income is not taxed has been eliminated.

The tax year corresponds to the calendar year. Every taxable entity is required to file a final return of income for every tax year together with the audited financial statements which should be prepared in accordance with the International Financial Reporting Standards.

Oman has entered into a comprehensive double taxation treaty with the United Kingdom, France and Spain, among others.

Capital Gains in Oman

Under the Omani Tax Law, gains on the sale or redemption of the Capital Securities by persons who are residents or are deemed to have a permanent establishment in Oman will be subject to a tax of 15 per cent. of their annual taxable gain from such sale or redemption, if such income: (i) forms part of their business profits which are realised in Oman and are recorded as having been realised as such in its financial statements; and (ii) such holders of the Capital Securities are not exempted otherwise under the Omani Tax Law. Consequently, any profit or gain realised by a holder of the Capital Securities as a result of the sale and/or redemption of the Capital Securities shall constitute part of the holder's taxable income in Oman only where such proceeds are attributable to the holder's permanent establishment in Oman and are recorded as such in its financial statements. A holder of the Capital Securities who is neither resident or deemed to have permanent establishment in Oman will not be liable to such tax. For the avoidance of doubt, a holder of the Capital Securities will not be deemed to have a permanent establishment in Oman on the sole basis of their ownership of the Capital Securities.

VAT

The GCC member states have developed a broad framework for the introduction of VAT in the region. The framework agreement sets out the underlying principles of VAT laws for the six GCC countries, leaving the member states with some flexibility to determine their own requirements in certain areas. On 12 October 2020, H.M. Sultan Haitham bin Tariq Al Said issued Sultani Decree 121/2020 promulgating the VAT Law.

The VAT Law was published in the Official Gazette of Oman on 18 October 2020 and is stated to come into effect six months following the date of its publication (that is, on 16 April 2021). The VAT Law imposes a value added tax at a base rate of 5 per cent. on most goods and services exported to or imported from Oman.

On 14 March 2021, the Chairman of the Oman Tax Authority, His Excellency Saud bin Nasser Al Shukaili, issued Decision No. 53/2021 setting out Executive Regulations for the VAT Law. The VAT Law's Executive Regulations provide that they will come into force on the same date as the VAT Law (being 16 April 2021).

Other Taxes in Oman and Relevant Updates

No stamp, issue, registration fees or similar direct or indirect taxes or duties will be payable in Oman in connection with the issuance, delivery, or execution of the Capital Securities by the Issuer. Enforcement will entail filing of legal proceedings before the courts of Oman, which requires the payment of court fees.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as **FATCA**, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting or related requirements. The Bank is a foreign financial institution for these purposes. A number of jurisdictions (including Oman) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Capital Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Capital Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Capital Securities, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Capital Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Capital Securities (as described under "*Terms and Conditions of the Capital Securities—Further Issues*") that are not distinguishable from previously issued Capital Securities are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Capital Securities, including the Capital Securities offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Capital Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Capital Securities, no person will be required to pay additional amounts as a result of the withholding.

The Proposed Financial Transactions Tax (*FTT*)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Capital Securities (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Commission Regulation (EC) No 1287/2006 are expected to be exempt. Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Capital Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Capital Securities are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the **Subscription Agreement**) dated 2 June 2021 between the Bank and Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, Kamco Investment Company K.S.C.P, Standard Chartered Bank and Ubhar Capital SAOC (together, the **Joint Lead Managers**), the Bank has agreed to issue U.S.$250,000,000 in aggregate principal amount of the Capital Securities and, subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe or procure subscribers for the Capital Securities at the issue price of 100 per cent. of the principal amount of Capital Securities less certain commissions as described below.

The Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and offering of the Capital Securities. To the extent permitted by law, the Bank and the Joint Lead Managers may agree that commissions or fees may be paid to certain brokers, financial advisors and other intermediaries based upon the amount of investment in the Capital Securities purchased by such intermediary and/or its customers. Any disclosure and other obligations in relation to the payment of such commission to such intermediary are solely the responsibility of the relevant intermediary and none of the Bank, the Joint Lead Managers or any of their respective affiliates, nor any person who controls or is a director, officer, employee or agent of any such person accepts any liability or responsibility whatsoever for compliance with such obligations. Each customer of any such intermediary is responsible for determining for itself whether an investment in the Capital Securities is consistent with its investment objectives.

The Bank has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of Capital Securities and to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith.

In connection with the offering of the Capital Securities, any shareholder or related party of the Bank may invest in and may take up Capital Securities in the offering and may retain, purchase or sell for its own account such Capital Securities. Accordingly, references herein to the Capital Securities being offered should be read as including any offering of the Capital Securities to any shareholder or related party of the Bank. Such persons do not intend to disclose the extent of any such investment or transactions other than as may be required by law.

United States

The Capital Securities have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this section have the meanings given to them by Regulation S.

Each Joint Lead Manager has represented and agreed that, except in certain transactions exempt from or not subject to the registration requirements of the Securities Act, it has not offered, sold or delivered, and will not offer, sell or deliver the Capital Securities: (a) as part of their distribution at any time; or (b) otherwise until the expiration of 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer (whether or not participating in the offering) to which it sells the Capital Securities during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Capital Securities within the United States or to, or for the account or benefit of, U.S. persons.

The Capital Securities are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until the expiration of 40 days after the commencement of the offering of the Capital Securities, an offer or sale of Capital Securities within the United States by any manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act, unless the dealer makes the offer or sale in compliance with an exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Capital Securities which are the subject of the offering contemplated by the Offering Circular to any retail investor in the EEA. For the purposes of this provision the expression retail investor means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Capital Securities which are the subject of the offering contemplated by the Offering Circular to any retail investor in the United Kingdom. For the purposes of this provision the expression retail investor means a person who is one (or more) of the following:

(a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other UK Regulatory Restrictions

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) received by it in connection with the issue or sale of the Capital Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Capital Securities in, from or otherwise involving the United Kingdom.

Japan

The Capital Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each Joint Lead Manager has represented and agreed that it will not offer or sell any Capital Securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the

Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Capital Securities other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Capital Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Capital Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Capital Securities or caused such Capital Securities to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Capital Securities or cause such Capital Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Capital Securities, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Capital Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Capital Securities pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

The United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Capital Securities have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates (the **UAE**) other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Capital Securities to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the **DFSA**) Rulebook; and

(b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Capital Securities except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors". For this purpose, an **accredited investor** means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more, excluding that person's principal place of residence;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (including the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell, directly or indirectly, any Capital Securities in the State of Qatar, including the Qatar Financial Centre, except: (a) in compliance with all applicable laws and regulations of the State of Qatar, including the Qatar Financial Centre; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar, including the Qatar Financial Centre.

Oman

Each Joint Lead Manager has represented and agreed that:

(a) this Offering Circular has not been filed with or registered as a prospectus with the Capital Market Authority of Oman pursuant to Article 3 of the Capital Market Authority Law (Sultani Decree 80/98, as amended) and will not be offered or sold as an offer of securities in Oman as contemplated by the Oman Commercial Companies Law) (Sultani Decree 18/2019, as amended) or Article 3 of the Capital Market Authority Law (Sultani Decree 80/98, as amended); and

(b) the Capital Securities have not been and will not be offered, sold or delivered, and no invitation to subscribe for or to purchase the Capital Securities has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Oman to any person in Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Capital Securities. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Capital Securities pursuant to an offering should note that the offer of Capital Securities is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Markets Authority resolution number 3-123-2017 dated 27 December 2017, as amended by the Board of the Capital Markets Authority resolution number 1-107-2021 dated 14 January 2021 (the **KSA Regulations**), through a person authorised by the Capital Market Authority (**CMA**) to carry on the securities activity of arranging and following a notification to the CMA under Article 11 of the KSA Regulations.

The Capital Securities may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to sophisticated investors under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Capital Securities to a Saudi Investor will be made in compliance with Article 9 or Article 10 of the KSA Regulations.

Each offer of Capital Securities shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Capital Securities pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Capital Securities to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Capital Securities are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Capital Securities in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer of sale is otherwise in compliance with Article 15 of the KSA Regulations.

General

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers sells or delivers any Capital Securities or possesses or distributes this Offering Circular and neither the Bank nor any of the Joint Lead Managers shall have any responsibility therefor.

Neither the Bank nor any of the Joint Lead Managers represents that Capital Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. Persons into whose possession this Offering Circular or the Capital Securities may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Offering Circular and the offering and sale of Capital Securities.

GENERAL INFORMATION

Authorisation

The issue of Capital Securities by the Bank was duly authorised by resolutions of the shareholders of the Bank on 28 March 2021 and by the Board of Directors of the Bank on 7 March 2021.

Approval of the Offering Circular and Admission to Trading of Capital Securities

Application has been made to the London Stock Exchange for the Capital Securities to be admitted to trading on the ISM. The ISM is not a regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA. The ISM is a market designated for professional investors. The Capital Securities admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular. It is expected that the admission of the Capital Securities to trading on the ISM will be granted on or around 4 June 2021. The total expenses related to the admission to trading are estimated at £7,800.

Documents Available

For so long as the Capital Securities remain outstanding, copies of the following documents will, when published, be available for inspection from http://www.oman-arabbank.com/:

(a) the Articles of Association (with an English translation thereof) of the Bank;

(b) the financial statements of the Bank in respect of the financial years ended 31 December 2020 and 31 December 2019, in each case together with the audit reports prepared in connection therewith and the unaudited condensed interim financial statements of the Bank for the three months ended 31 March 2021;

(c) the most recently published audited annual financial statements of the Bank and the most recently published unaudited interim financial statements of the Bank, in each case together with any audit or review reports prepared in connection therewith;

(d) the Agency Agreement (which contains the forms of the Global Certificate and the Individual Certificate); and

(e) a copy of this Offering Circular.

Clearing Systems

The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code 234653024 and ISIN XS2346530244.

The Financial Instrument Short Names (FISN) and the Classification of Financial Instruments (CFI) Codes in respect of the Capital Securities are as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN, in each case as may be updated.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial performance or position of the Bank since 31 March 2021 and there has been no material adverse change in the prospects of the Bank since 31 December 2020.

Litigation

The Bank is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Bank.

Auditors

Prior to 1 January 2020, the auditors of the Bank were Ernst & Young LLC (**EY**). EY audited the Bank's financial statements, without qualification, in accordance with IFRS, for the financial year ended 31 December 2019 as stated in their report included therein.

The business address of EY is Ernst & Young LLC, P.O. Box 1750, Ruwi 112, 5th Floor, Landmark Building, Opposite Al Amin Mosque, Bowsher, Muscat, Sultanate of Oman.

EY is regulated in Oman by the Ministry of Commerce and Industry, which has issued EY a license to practice as auditors. There is no professional institute of auditors in Oman and, accordingly, EY is not a member of a professional body in Oman. All of EY's audit partners are members of the institutes from where they received their professional qualification.

The current auditors of the Bank are KPMG LLC (**KPMG**). KPMG audited the Bank's financial statements, without qualification, in accordance with IFRS, for the financial year ended 31 December 2020.

The business address of KPMG is KPMG LLC, Children’s Public Library Building, 4th Floor, P.O. Box 641, P.C. 112, Shatti Al Qurum, Sultanate of Oman.

KPMG is regulated in Oman by the Ministry of Commerce and Industry, which has issued KPMG a license to practice as auditors. There is no professional institute of auditors in Oman and, accordingly, KPMG is not a member of a professional body in Oman. All of KPMG's audit partners are members of the institutes from where they received their professional qualification.

Joint Lead Managers Transacting with the Bank

Certain of the Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and/or commercial banking transactions with, and may perform services for, the Bank and/or its affiliates in the ordinary course of business, for which they may receive fees.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Bank or the Bank's affiliates, including the Capital Securities themselves.

Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Bank routinely hedge their credit exposure to the Bank consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Capital Securities. Any such short positions could adversely affect future trading prices of Capital Securities. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

BANK

Oman Arab Bank SAOG
Sultan Qaboos Street
Ghubrah
P.O. Box: 2010 – Ruwi
PC 112
Sultanate of Oman

FISCAL AGENT AND CALCULATION AGENT

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Citigroup Centre
Canada Square
Canary Wharf
London, E14 5LB
United Kingdom

REGISTRAR

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Reuterweg 16
60323 Frankfurt
Federal Republic of Germany

TRANSFER AGENT

Citibank Europe plc
1 North Wall Quay
Dublin 1
Ireland

LEGAL ADVISERS

To the Bank as to English law

Dentons & Co.
Level 18, Boulevard Plaza 2
Burj Khalifa District
P.O. Box 1756
Dubai
United Arab Emirates

To the Bank as to Omani law

Dentons & Co Oman Branch
P.O. Box 3552
Ruwi PC 112
Sultanate of Oman

To the Joint Lead Managers as to English law

Allen & Overy LLP
11th Floor
Burj Daman Building
Happiness Street
Dubai International Financial Centre
P.O. Box 506678
Dubai
United Arab Emirates

To the Joint Lead Managers as to Omani law

Addleshaw Goddard Oman
Level 4, Unit 402
Beach One, Shatti Al Qurum
Muscat
Sultanate of Oman

AUDITORS

prior to 1 January 2020

Ernst & Young LLC
P.O. Box 1750, Ruwi 112
5th Floor, Landmark Building
Opposite Al Ameen Mosque
Bowsher, Muscat
Sultanate of Oman

since 1 January 2020

KPMG LLC
Children's Public Library Building 4th Floor
P.O. Box 641, P.C. 112
Shatti Al Qurum
Sultanate of Oman

JOINT LEAD MANAGERS

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c/o Emirates NBD Capital Limited
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Dubai International Financial Centre
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Dubai
United Arab Emirates

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FAB Building
Khalifa Business Park – Al Qurm District
P.O. Box 6316
Abu Dhabi
United Arab Emirates

Kamco Investment Company K.S.C.P.
Al-Shaheed Tower,
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State of Kuwait

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United Arab Emirates

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CPO Muscat
Sultanate of Oman