# NATIONAL BANK OF OMAN SAOG

(incorporated with limited liability in the Sultanate of Oman)

## U.S.$134,111,000 Perpetual Tier 1 Capital Securities

The U.S.$134,111,000 Perpetual Tier 1 Capital Securities (the "**Capital Securities**") shall be issued by National Bank of Oman SAOG (the "**Issuer**", "**NBO**" or the "**Bank**") on 29 November 2022 (the "**Issue Date**").

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 – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – 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*".

Interest Payment Amounts (as defined in the Conditions (as defined below)) shall be payable subject to and in accordance with the terms and conditions set out in "*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) 29 May 2028 (the "**First Reset Date**") at a rate of 6.750 per cent. per annum. If the Capital Securities are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Reset Date, Interest Payment Amounts shall be payable from (and including) the First Reset Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the First Reset Date and every five years thereafter, equal to the Relevant 5 Year Reset Rate (as defined in the Conditions) plus a margin of 2.861 per cent. per annum. Interest Payment Amounts will (subject to the occurrence of a Non-Payment Event (as defined in, and as more particularly provided in, Condition 6.1 (*Interest Restrictions – Non-Payment Event*))) be payable semi-annually in arrear on 29 May and 29 November in each year, commencing on 29 May 2023 (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 any Relevant Jurisdiction (as defined herein) (the "**Taxes**") to the extent described under Condition 12 (*Taxation*).

The Bank may elect, and in certain circumstances shall be required, not to pay interest falling due on 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 approval of the Central Bank of Oman (the "**CBO**"), be redeemed at par (in whole but not in part) on 29 November 2027 and any date thereafter up to and including the First Reset Date or any Interest Payment Date thereafter 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) at other times, subject to the prior approval of the CBO.

**An investment in the Capital Securities involves certain 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 "*Form of the Capital Securities*") 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.

This Prospectus has been approved by the Central Bank of Ireland (the "**CBI**") as competent authority under Regulation (EU) 2017/1129 (as amended, the "**EU Prospectus Regulation**"). This Prospectus constitutes a prospectus for the purposes of the EU Prospectus Regulation. The CBI only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Such approval relates only to the Capital Securities which are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**"). Such approval should not be considered as an endorsement of either the Bank or the quality of any Capital Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in such Capital Securities. Application has been made to Euronext Dublin for the Capital Securities to be admitted to its official list (the "**Official List**") and to trading on its regulated market (the "**Euronext Dublin Regulated Market**"). The Euronext Dublin Regulated Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, "**EU MiFID II**").

The Bank has been assigned a long-term credit rating of 'Ba3' with a positive outlook by Moody's Investors Service Cyprus Ltd. ("**Moody's**") and 'BB-' with a stable outlook by Fitch Ratings Limited ("**Fitch**"). Moody's is established in the Economic Area ("**EEA**") and is registered under Regulation (EC) No. 1060/2009, as amended (the "**EU CRA Regulation**"). As such, Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the EU CRA Regulation. The rating assigned to the Bank by Moody's is endorsed by Moody's Investors Service Limited, which is established in the United Kingdom ("**UK**") and registered under Regulation (EU) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**"). Fitch is established in the UK and registered under the UK CRA Regulation. Fitch appears on the latest update of the list of registered credit rating agencies on the UK Financial Conduct Authority's Financial Services Register. Fitch is not established in the EEA and has not applied for registration under the EU CRA Regulation. The rating assigned to the Bank by Fitch is endorsed by Fitch Ratings Ireland Limited, which is established in the EEA and registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by ESMA on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the EU CRA Regulation. The Capital Securities will not be rated by any rating organisation. **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.**

**Prospective investors are referred to the section headed "*Restrictions on marketing and sales to retail investors*" on pages ii and iii of this Prospectus for information regarding certain restrictions and marketing sales to retail investors.**

The Capital Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Capital Securities may be offered, sold or delivered solely to persons who are not U.S. Persons (as defined in Regulation S) outside the United States in reliance on Regulation S. Each purchaser of the Capital Securities is hereby notified that the offer and sale of Capital Securities to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

*Joint Lead Managers*

**National Bank of Oman SAOG** **Standard Chartered Bank**

The date of this Prospectus is 25 November 2022

## IMPORTANT NOTICE

This Prospectus comprises a prospectus for the purposes of the EU Prospectus Regulation and for the purpose of giving information with regard to the Bank and the Capital Securities which, according to the particular nature of the Bank and the Capital Securities, is necessary to enable investors to make an informed assessment of the assets and liabilities, profit and losses, financial position and prospects of the Bank and the right attaching to the Capital Securities.

The Bank accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect the import of such information. The Bank confirms that it has taken all reasonable care to ensure that such is the case.

Where information has been sourced from a third party, the Bank confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Prospectus is stated where such information appears in this Prospectus.

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 Prospectus 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 the Joint Lead Managers nor any of their respective affiliates (excluding the Bank in its capacity as the Issuer) have independently verified the information contained herein. Accordingly, neither the Joint Lead Managers nor any of their respective affiliates (excluding the Bank in its capacity as the Issuer) make any representation or warranty or accept any responsibility as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Bank in connection with the issuance of the Capital Securities. Neither the Joint Lead Managers nor any of their respective affiliates (excluding the Bank in its capacity as the Issuer) accept any liability in relation to the information contained in this Prospectus or any other information provided by the Bank in connection with the issuance of the Capital Securities.

Neither the delivery of this Prospectus 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 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. Investors should review, *inter alia*, the information contained in this Prospectus when deciding whether or not to purchase any Capital Securities.

Neither this Prospectus 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 or any of the Joint Lead Managers that any recipient of this Prospectus 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 Prospectus 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 or any of the Joint Lead Managers to any person to subscribe for or to purchase any Capital Securities.

The Capital Securities have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Capital Securities may not be offered, sold, delivered, pledged or otherwise transferred directly or indirectly within the United States or to, or for the account or benefit of, U.S. Persons. See "*Subscription and Sale*".

This Prospectus 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 Prospectus 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 Prospectus 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 or the Joint Lead Managers which is intended to permit a public offering of any Capital Securities or distribution of this Prospectus 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 Prospectus 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 Prospectus or any Capital Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Capital Securities. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Capital Securities in the United States, the European Economic Area ("**EEA**"), the UK, Hong Kong, Japan, Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre (the "**DIFC**")), the DIFC, the State of Kuwait, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), the Sultanate of Oman and Switzerland. See "*Subscription and Sale*".

The Capital Securities are complex financial instruments. 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 legal 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: (i) the Capital Securities are legal investments for it; (ii) the Capital Securities can be used as collateral for various types of borrowing; and (iii) 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.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Presentation of Financial Information

This Prospectus incorporates by reference:

- the unaudited interim condensed financial statements of the Bank as at and for the nine-month period ended 30 September 2022 (the "**Interim Financial Statements**");
- the audited financial statements of the Bank as at and for the year ended 31 December 2021 (the "**2021 Financial Statements**"); and
- the audited financial statements of the Bank as at and for the year ended 31 December 2020 ((the "**2020 Financial Statements**" and, together with the 2021 Financial Statements, (the "**Annual Financial Statements**").

The Interim Financial Statements and the Annual Financial Statements are together referred to as the "**Financial Statements**".

The financial information presented in this Prospectus should be read in conjunction with the Financial Statements and the related notes thereto along with the audit reports to the Annual Financial Statements and the review report to the Interim Financial Statements.

Unless otherwise specified, the financial information presented in this Prospectus for 2021 has been extracted without material adjustment from the 2021 Financial Statements and the related notes thereto and the financial information presented in this Prospectus for 2020 has been extracted without material adjustment from the 2020 Financial Statements and the related notes thereto. The Bank's financial year ends on 31 December and references in this Prospectus to "**2021**" and "**2020**" are to the 12-month period ending on 31 December in each such year. Annual information presented in this Prospectus is based upon 1 January to 31 December periods (which is the fiscal year for the Bank), unless otherwise indicated. All interim financial information presented in this Prospectus has been extracted from the Interim Financial Statements.

The language of the Prospectus 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.

Unless otherwise indicated, in this Prospectus, all references to:

- "**ECL**" are to expected credit loss determined in accordance with IFRS 9;
- "**Financing**" are to the Bank's loans, advances and financing activities for customers;
- "**IFRS 9**" are to the International Financial Reporting Standard 9 relating to Financial Instruments;
- "**IFRS 16**" are to the International Financial Reporting Standard 16 relating to Leases; and
- "**Non-performing loans**" or "**non-performing financing**" or "**NPLs**" are to Stage 3 IFRS 9 exposures of the Bank including both funded and non-funded exposures.

**Basis of Presentation for the Financial Statements**

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), the applicable regulations of the CBO and the applicable requirements of the Commercial Companies Law (as defined below) and the CMA (as defined below). The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*".

**Reclassifications**

There have been no material reclassifications made in the Financial Statements, except as stated in Note 2.7 to the 2020 Financial Statements in relation to the change in accounting policy for building classified as property and equipment from the fair value model to the cost model which increased retained earnings and reduced property and equipment and the revaluation reserve in 2019 (as restated).

**Presentation of Alternative Performance Measures**

In this Prospectus, the Bank has used certain ratios and measures that are alternative performance measures ("**APMs**") as defined in the "ESMA Guidelines on Alternative Performance Measures" published by ESMA (as defined below) on 5 October 2015. See "*Selected Financial Information—Selected Financial Ratios*".

**Exchange Rate**

The Financial Statements are presented in Riyals (as defined below), which is the Bank's functional currency (that is, the currency of the primary economic environment in which the Bank operates) and its presentation currency, rounded to the nearest thousand, unless otherwise stated. In the Financial Statements and in this Prospectus, all U.S. dollar amounts presented are only indicative.

The Riyal currently is, and since the mid-1980s has been, pegged to the U.S. dollar at a fixed exchange rate of RO 0.385 = U.S.$1. Accordingly, translations of amounts from Riyals to U.S. dollars have been made at this exchange rate for all periods in this Prospectus and the Financial Statements. Translations of amounts from Riyals to U.S. dollars in this Prospectus and the Financial Statements are solely for the convenience of the reader. Such translations should not be construed as representations that Riyal amounts have been or could be converted into U.S. dollars at this or any other rate of exchange.

**Rounding**

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

**Presentation of Other Information**

In this Prospectus, unless otherwise specified or the context otherwise requires, any reference to:

- "**AML**" means anti-money laundering;
- "**AML Law**" means the Anti-Money Laundering and Combating the Financing of Terrorism Law (promulgated by Royal Decree 30/2016);
- "**ATMs**" means automated teller machines;
- "**Basel III**" means the reforms to the international regulatory capital framework issued by the Basel Committee on Banking Supervision and as adopted by the CBO 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 and tier 2 capital instruments);
- "**Basel Committee**" means the Basel Committee on Banking Supervision;
- "**BCSB**" means the Bank Credit and Statistics Bureau adopted by the board of governors of the CBO pursuant to Regulation BM/53/9/2011 issued on 11 January 2012;
- "**CAR**" means Capital Adequacy Ratio;
- "**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 BM1114 CP-1 dated 17 November 2013;
- "**CFT**" means combatting the financing of terrorism;
- "**CMA**" means the Capital Market Authority of Oman;
- "**Commercial Companies Law**" means the Commercial Companies Law (promulgated by Royal Decree 18/2019, as amended);
- "**ESMA**" means the European Securities and Markets Authority;
- "**EU**" means the European Union;
- "**Foreign Capital Investment Law**" means the Foreign Capital Investment Law (promulgated by Royal Decree 50/2019);
- "**FVOCI**" means fair value through other comprehensive income;
- "**FVTPL**" means fair value through profit and loss;
- "**GCC**" means the Gulf Co-operation Council, which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE (as defined below);
- "**GDP**" means Gross Domestic Product;
- "**Government**" means the Government of Oman;
- "**IBOR**" means Interbank Offer Rate;
- "**IBRF**" means the Islamic Banking Regulatory Framework issued on 18 December 2012;
- "**IMF**" means the International Monetary Fund;
- "**IT**" means information technology;

- "**KYC**" means know your customer;
- "**MENA**" and/or "**MENA region**" mean the Middle East and North Africa region;
- "**MOCIIP**" means the Ministry of Commerce, Industry and Investment Promotion of Oman;
- "**MSX**" means the Muscat Stock Exchange;
- "**NCSI**" means the Oman National Centre for Statistics and Information;
- "**Old FCIL**" means the Foreign Capital Investment Law promulgated by Royal Decree 102/1994;
- "**Oman**" means the Sultanate of Oman;
- "**Oman Banking Law**" means the Banking Law of Oman (Royal Decree 114/2000 (as amended));
- "**OPEC**" means the Organization of Petroleum Exporting Countries;
- "**PCA**" means Prompt Corrective Action;
- "**RO**" and "**Riyals**" mean the lawful currency for the time being of Oman;
- "**SMEs**" means small and medium-sized enterprises;
- "**UAE**" means the United Arab Emirates;
- "**UK**" means the United Kingdom;
- "**United States**" and /or "**U.S.**" mean the United States of America; and
- "**U.S.$**", "**USD**" or "**U.S. dollars**" mean the lawful currency for the time being of the United States.

**No Incorporation of Website Information**

The Bank's website is https://www.nbo.om. Other than the information being incorporated by reference herein, the information on this website or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus, and investors should not rely on it.

## PRESENTATION OF OMAN STATISTICAL INFORMATION

The statistical information in the sections entitled "*Overview 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 those sections may also be subject to future adjustment.

## CERTAIN PUBLICLY AVAILABLE INFORMATION

Certain information contained in "*Risk Factors*", "*Description of National Bank of Oman SAOG – Competition and Competitive Strengths*", "*Overview of Oman*" and "*Oman Banking System and Prudential Regulations*" (as indicated therein) has been extracted from independent, third party sources. The Bank confirms that all third party information contained in this Prospectus 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. The source of any third party information contained in this Prospectus is stated where such information appears in this Prospectus.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "*believes*", "*estimates*", "*anticipates*", "*projects*", "*expects*", "*intends*", "*may*", "*will*", "*seeks*" or "*should*" or, in each case, their negative or other variations or comparable terminology, or in relation to discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements are statements that are not historical facts, including statements about the Bank's beliefs and expectations. These statements are based on current plans, estimates and projections and, therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. Although the Bank believes that beliefs and expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such beliefs and expectations will prove to have been correct.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those expressed in any forward-looking statement. The information contained in this Prospectus identifies important factors that could cause such differences, including, but not limited to:

- adverse external factors, such as the global financial crisis, changes in international commodity prices, high international interest rates and recession, international terrorism, changes in policies of international institutions or credit downgrades; and

- other adverse factors that may affect the MENA region.

## 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 during the stabilisation period 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 be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 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.

**EU MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET**– There are no manufacturers for the purposes of EU MiFID II. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should consider (a) the target market for the Capital Securities to be eligible counterparties and professional clients only, each as defined in EU MiFID II, and (b) all channels for distribution of the Capital Securities to eligible counterparties and professional clients to be appropriate. However, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the target market) and determining appropriate distribution channels.

**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, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MiFIR**"); and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer's target market assessment; however, a distributor subject to UK MiFIR 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 EU MiFID II; or (b) a customer within the meaning of Directive (EU) 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 EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (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: (i) a retail client, as defined in point (8) of Article 2 of EU MiFID II as it forms part of domestic law in the UK 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 Financial Services and Markets Act ("**FSMA**") to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of **UK MiFIR**. 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 UK has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

## NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Prospectus 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 of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Capital Securities should conduct their own due diligence on the accuracy of the information relating to the Capital Securities. If a prospective purchaser does not understand the contents of this Prospectus they should consult an authorised financial advisor.

## NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Capital Securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing accountholders 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 any equivalent amount in other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of Capital 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 Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Capital Securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Capital Securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus 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 Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of Capital Securities will be made to the public in the Kingdom of Bahrain and this Prospectus 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)

The Capital Securities will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Central Bank, the Qatar Financial Centre Regulatory Authority, the Qatar Financial Markets Authority or the Qatar Stock Exchange in accordance with their regulations or any other regulations in the State of Qatar. The Capital Securities are not and will not be traded on the Qatar Stock Exchange. The Capital Securities and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

## NOTICE TO RESIDENTS OF THE SULTANATE OF OMAN

The information contained in this Prospectus neither constitutes a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 18/2019) or a public offering or private placement of securities in Oman, pursuant to Article 28 of the Securities Law (Royal Decree 46/2022), nor does it constitute a prospectus or an offer to sell, or the solicitation of any offer to buy non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations of the Capital Market Law (CMA Decision 1/2009, as amended) (the "**Executive Regulations**"). Additionally, this Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the Sultanate of Oman.

This Prospectus has not been (and will not be) filed with the Capital Market Authority (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 nor the CBO assumes responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus and shall not have any liability to any person for damage or loss resulting from reliance on any statements or information contained herein.

This Prospectus may only be made available to investors in the Sultanate of Oman in accordance with the provisions of Article 139 of the Executive Regulations by an entity duly licenced by the Capital Market Authority to market non-Omani securities in Oman.

## SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION

Solely for the purposes of its obligations pursuant to Section 309B(1)(a) and Section 309B(1)(c) of the Securities and Futures Act 2001 (*2020 Revised Edition*) of Singapore, as amended or modified from time to time (the "**SFA**"), the Bank has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA), that the Capital Securities are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) 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).

## CONTENTS

## 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 Prospectus.*

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

| | |
|---|---|
| **Issuer:** | National Bank of Oman SAOG. |
| **Issuer Legal Entity Identifier ("LEI"):** | 549300D3B4GI1CT73Z02 |
| **Description:** | U.S.$134,111,000 Perpetual Tier 1 Capital Securities. |
| **Joint Lead Managers:** | National Bank of Oman SAOG and Standard Chartered Bank. |
| **Fiscal Agent, Calculation Agent and Transfer Agent:** | Citibank, N.A., London Branch. |
| **Registrar:** | Citibank Europe PLC. |
| **Issue Date:** | 29 November 2022. |
| **Issue Price:** | 100.00 per cent. |
| **Interest Payment Dates:** | 29 May and 29 November every year, commencing on 29 May 2023. |
| **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.$33.75 per U.S.$1,000 in outstanding principal amount of the Capital Securities and shall be payable out of Distributable Items (as defined in the Conditions). The Interest Rate will be reset on each Reset Date (as defined in the Conditions) on the basis of the aggregate of an initial margin of 2.861 per cent. per annum and the Relevant 5 Year Reset Rate on the relevant U.S. Securities Determination Date, as determined by the Calculation Agent. See Condition 5 (*Interest*).<br><br>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 as described in "*Form of the Capital Securities*". 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 denominations 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 *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;

"***Pari Passu*** **Obligations**" means the Bank's payment obligations under the Existing Tier 1 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) (*Redemption and Variation – Bank's Call Option*), the Bank may, (a) any date during the period from and including the First Call Date, to and including the First Reset Date or (b) any Interest Payment Date (each as defined in the Conditions) thereafter, 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 Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and Condition 9.1(d) (*Redemption and Variation – 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 – Redemption and Variation*).

**Non-Viability Event:** ......................... If a Non-Viability Event (as defined in the Conditions) occurs, a Write-down (as defined in the Conditions) shall occur on the relevant Non-Viability Event Write-down Date (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 permanently *pro rata* among the holders of the Capital Securities. See "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – 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 – Redemption and Variation*), become forthwith due and payable at its Early Redemption Amount, together with accrued interest (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 assigned a long-term credit rating of 'Ba3' with a positive outlook by Moody's and 'BB-' with stable outlook by Fitch. The Capital Securities will not be rated by any rating organisation.

**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.**

In general, European regulated investors are restricted from using a rating for regulatory purposes in the EEA, if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation unless: (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation; or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless: (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK; or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

**Listing and Admission to Trading:** .. Application has been made to Euronext Dublin for the Capital Securities to be admitted to the Official List and to trading on the Euronext Dublin Regulated Market.

**Transaction Documents:** .................. The Agency Agreement and the Deed of Covenant.

**Governing Law and Jurisdiction:** .... The Capital Securities (except for Condition 4.2 (*Status, Subordination – 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 (*Status, Subordination – Subordination of the Capital Securities*) will be governed by, and shall be construed in accordance with, the laws of Oman.

The Transaction Documents and any non-contractual obligations arising out of, relating to or having any connection with the Transaction Documents will be governed by, and shall be construed in accordance with, English law. In respect of any dispute, claim, difference or controversy under the Transaction Documents to which it is a party, the Bank has consented to arbitration in accordance with the LCIA Arbitration Rules.

**Waiver of Immunity:** ....................... The Bank has irrevocably and unconditionally waived with respect to the Capital Securities and the Transaction Documents any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence (see Condition 19.4 (*Governing Law and Dispute Resolution – Waiver of immunity*)).

**Selling Restrictions:** .......................... There are restrictions on the offer, sale and transfer of the Capital Securities in the United States, the EEA, the UK, Hong Kong, Japan, Singapore, the United Arab Emirates (excluding the DIFC), the DIFC, the State of Kuwait, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), the Sultanate of Oman and Switzerland and such other restrictions as may be required in connection with the offering and sale of the Capital Securities. See "*Subscription and Sale*".

**Use of Proceeds:** ................................ The proceeds from the issue of Capital Securities will be used by the Bank: (a) to manage its Tier 1 Capital base and overall capital adequacy; and (b) for its general corporate purposes. See "*Use of Proceeds*".

## 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 Prospectus.*

*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. Should any of these risks occur, the Bank's business, results of operations and financial condition could be affected in the manner described in each risk and this could adversely affect the price of the Capital Securities such that an investor could lose some or all of his investment.*

*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 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 Capital Securities are exhaustive.*

*There can be no assurance that payment to holders of the Capital Securities of any interest, principal or other amounts on or in connection with the Capital Securities will be ensured 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 Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in the Conditions and the Global Certificate shall have the same meanings in this section.*

### Risks Relating to the Bank

***The Bank is exposed to credit risks and relies on risk management policies to manage the growth and quality of its financing assets and investment securities and minimise impairment losses, although there can be no assurance that these measures will always be successful***

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 loans 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 counterparties of the Bank, or from a general deterioration in local or global economic conditions, or from systemic 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 provisions for the impairment of loans, 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 loans, as well as the occurrence of loan 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 seeks to control 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, although there can be no assurance that these measures will always be successful. If the Bank fails to maintain the quality of its assets through effective risk management policies this could lead to higher loan 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 established an allowance for identified and collective impairment losses as prescribed by IFRS and CBO guidelines that represent its estimate of incurred and collective losses in its loan portfolio. As at 31 December 2021, the Bank had IFRS 9 Stage 3 loans amounting to RO 171.40 million and carried allowances for credit losses of RO 151.24 million to cover potential identified and unidentified loan losses (compared to IFRS 9 Stage 3 loans of RO 168.98 million and allowance for credit losses of RO 155.89 million as at 31 December 2020). As at 31 December 2021, the total carried allowance for credit losses covered 88.2 per cent. of the Bank's IFRS 9 Stage 3 loans (compared to 92.3 per cent. as at 31 December 2020). 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 including reserved interest for IFRS 9 Stage 3 loans and loans under stress as at 31 December 2021 are sufficient to cover the Bank's estimated loan losses as at that date. However, the actual loan losses could be materially different from the loan impairment allowances and if the loan impairment allowances are insufficient to cover impairment losses this would require an increase in the allowances which 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 loan levels were 5.55 per cent. of its gross loans and advance as at 31 December 2020 and 5.29 per cent. of its gross loans and advances as at 31 December 2021, see "*Selected Financial Information – Selected Financial Ratios*". If the Bank is unable to adequately control credit risk it may suffer a deterioration in its loan portfolio, principally manifested in the form of increasing non-performing loan 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 loan portfolio if it determines (acting in its role as the prudential regulator for the Omani banking sector) that it is appropriate to do so. If any additional provisions were required to be made, then depending on the exact quantum and timing, such provisions could have an adverse impact on 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 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 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 seeks to maintain 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 dislocated credit environment exposes the Bank to higher risk that it will not be able to access funds at favourable rates or 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. Such deposits are subject to fluctuation due to certain factors outside the Bank's control, such as any possible loss of confidence in the Bank and competitive pressures, which could result in a significant outflow of deposits within a short period of time. Any unexpected withdrawals of its deposits could have a material adverse impact on the Bank's liquidity.

In addition, there are always timing differences between cash payments the Bank owes on its liabilities and the cash payments due to it on its investments and other assets. The Bank's ability to manage these cash mismatches and make timely payments in respect of the Capital Securities may be adversely affected if the financial markets were to experience significant liquidity problems. Also, under certain market conditions, the Bank could be unable to sell assets, including its portfolio investments, in sufficient amounts 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 non-deposit sources of funding, such as wholesale market derived funding, the competition for deposits in the Bank's markets for funding will increase and the Bank's access to funds and its cost of funding may also be adversely affected.

***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 in each of 2021 and 2020, 58.4 per cent. and 57.4 per cent., respectively, of the Bank's customers' deposits and unrestricted investment accounts had remaining maturities of one year or less or were payable on demand.

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

In the past, a substantial portion of the Bank's 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 assure, 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.

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

Concentrations in the Bank's deposit and unrestricted investment account portfolio subject it to risks of exposure to the Government, governmental departments and agencies ("**Government-related entities**") and pension funds and the risk of default by its larger 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 2021, Government and Government-related entities and pension funds accounted for 26.9 per cent. of the Bank's customers' deposits and unrestricted investment accounts. Furthermore, the Bank's 20 largest depositors represented 39.5 per cent. of the Bank's total customers' deposits and unrestricted investment accounts as at 31 December 2021.

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 the Bank's 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 loan portfolio or otherwise increase its overall cost of funding, either 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 2021, the Bank's funded exposure to its 10 largest corporate borrowers accounted for 18.4 per cent. of its gross loans and advances. 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.

Personal loans accounted for 43.51 per cent. of the Banks total gross loans as at 31 December 2021 and 45.89 per cent. as at 31 December 2020. Retail customer portfolios 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. In addition, 96.60 per cent. of the Bank's total gross loans as at 31 December 2021 and 96.89 per cent. as at 31 December 2020 were concentrated in Oman. Reflecting these factors, the Bank is particularly exposed to adverse economic developments in Oman, 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 depositors or borrowers could cause its depositors to withdraw their deposits and its borrowers to default on their loans and could therefore 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 is exposed to reputational risks related to its operations and industry***

All financial institutions depend on the trust and confidence of their customers to succeed in their business. The Bank is also exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation. The Bank's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it lends money or in which it has invested. In common with other banks, the Bank is also exposed to, and may be individually impacted by, adverse publicity relating to the financial services industry as a whole. Financial scandals unrelated to the Bank or questionable ethical conduct by a competitor may taint the reputation of all industry participants, including the Bank, and affect the perception of investors, public opinion and the attitude of regulators. Any damage to the Bank's reputation could cause its existing customers to withdraw their business and lead the Bank's potential customers to be reluctant to continue to do business with the Bank. Any of these developments could have an 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 may need to raise further capital in the future for a variety of reasons and such capital may be difficult to raise when needed***

As at 31 December 2021, the Bank's tier 1 and total capital adequacy ratios (each as determined in accordance with Basel III requirements as adopted by the CBO) were 15.0 per cent. and 15.8 per cent. compared to 15.4 per cent. and 16.4 per cent. as at 31 December 2020, in each case compared to the CBO's requirements of a minimum tier 1 capital adequacy ratio of 10.25 per cent. and a minimum total capital ratio of 12.25 per cent.

A variety of factors affect the Bank's capital adequacy levels, including, in particular, changes in its risk weighted assets and its profitability from period to period. A significant increase in lending in the future is likely to reduce the Bank's capital adequacy ratios and any future losses experienced by it would have a similar effect. In addition, regulatory requirements in relation to the calculation of capital adequacy and required levels of capital adequacy change from time to time. The Bank may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies.

The Bank may need to obtain additional capital in the future. Such capital, whether in the form of debt financing or additional equity, may not be available on commercially favourable terms, or at all. Moreover, should the Bank's capital ratios fall close to the regulatory minimum levels or the Bank's own internal minimum levels, the Bank may need to adjust its business practices, including reducing the risk and leverage of certain activities. If the Bank is unable to maintain capital adequacy ratios which its rating agencies regard as satisfactory, its credit ratings may be lowered and its cost of funding may therefore increase.

***The Bank could be adversely affected by the soundness or the perceived soundness of other financial institutions and counterparties, which could result in significant systemic liquidity problems, losses or defaults***

The Bank is subject to the risk of deterioration in the commercial and financial soundness, or perceived soundness, of other financial services institutions. Within the financial services industry the default of any one institution could lead to defaults by other institutions, as was evidenced in the global financial crisis. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses and defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Bank or by other institutions. This risk is sometimes referred to as "**systemic risk**" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Bank interacts on a daily basis. The failure of other financial institutions or counterparties could have a material adverse effect on the Bank's ability to raise new funding and on its business, results of operations, financial condition and ability to make payments in respect of the Capital Securities.

***The Bank was exposed to material disruptions arising from the COVID-19 pandemic and may be exposed to further disruptions in the future***

COVID-19 was first identified in Wuhan, Hubei Province, China in late 2019. It spread rapidly and infected people around the world, causing a substantial number of deaths. Almost all countries that were significantly affected introduced measures to try to contain the spread of the virus, including border closures and restricting the movement of their citizens. These measures resulted in the closure of numerous businesses in those countries (particularly those related to the travel and hospitality industries) and widespread job losses. They also gave rise to a significant global economic downturn in 2020, although economies around the world have generally improved in 2021 and 2022 as restrictions were progressively lifted and commodity prices recovered.

The restrictive measures imposed in Oman and certain other markets, together with reduced economic activity in 2020, had an adverse impact on the Bank. The decrease in interest rates, together with capping of interest rates, waiver of interest and deferment of principal repayments resulted in lower profits and liquidity mismatches for the Bank in 2020. Additionally, the impact of non-oil GDP contraction, lower oil prices and lockdown measures resulted in a significant increase in impairment provisions in 2020 and, to a lesser extent, in 2021, in each case when compared with 2019.

Although the impact of the COVID-19 pandemic appears to be reducing, no assurance can be given that there will not be any resurgence of the pandemic and re-imposition of significant containment measures in the future. Any such event could result in significantly increased volatility in markets and interest rates, each of which has the potential, particularly if the volatility is prolonged, to materially adversely affect the Bank's results.

***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 adverse 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.

There has been considerable volatility and periods of reduced liquidity in the financial markets in recent years, including as a result of the restrictive measures imposed to combat the spread of COVID-19 in the first half of 2020 and more recently as a result of the Russian invasion of Ukraine and the ongoing conflict in that country. If significant market disruptions and high levels of volatility occur and persist for a long period of time, 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.

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

As part of the Bank's lending and trade-related activities, the Bank provides guarantees and documentary letters of credit, 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. In addition, the Bank makes irrevocable commitments to lend which may not be immediately drawn. 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 loans and advances, and commitments to extend credit are contingent on customers maintaining specific credit standards. As at 31 December in each of 2021 and 2020, the Bank had RO 475.51 million and RO 497.53 million of guarantees, documentary letters of credit and undrawn commitments outstanding.

Although the Bank anticipates that only a portion of its obligations in respect of these commitments will be triggered, it may become obliged to make payments in respect of a greater than anticipated amount. If this were to happen, this 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.

***Some of the Bank's debtors are unable or unwilling to provide the quality and quantity of financial data sought by the Bank***

Although the Bank requires regular disclosure of its debtors' financial information, some debtors, especially retail customers and SMEs, do not, or are unable to, provide the quality and quantity of information typically sought by the Bank. Furthermore, such financial data may not always present a complete and comparable picture of each such debtor's financial condition. For example, the financial statements of the Bank's debtors are not (unless publicly listed) required to be presented in accordance with IFRS or audited in accordance with International Standards on Auditing.

The unavailability of an adequate quantity or quality of financial data in respect of some of its debtors may result in the Bank's failure to accurately assess the financial condition and creditworthiness of these debtors, leading to an increase in the rate of default for the Bank's loan portfolio. 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.

***Security interests or loan 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 loans 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 a bank loan 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 loans.

In addition, even if the Bank's security interests are enforceable in the Omani courts, the time and costs associated with enforcing these security interests in Oman may make it uneconomic for the Bank to pursue such proceedings, adversely affecting the Bank's ability to recover its loan losses. Even in the event that the Bank acquires real estate assets as a result of its enforcement of security, the Banking Law of Oman (Royal Decree 114/2000 (as amended)) (the "**Oman Banking Law**") requires the Bank to dispose of the real estate within 12 months of it being acquired unless an extension has been obtained from the CBO.

As at 31 December 2021, the Bank had a loan portfolio amounting to RO 3,239.89 million with the collateral available to the Bank being RO 1,945.97 million, although the amount of the Bank's total secured loans and advances was less than the total value of the collateral.

The Bank typically requires additional collateral in the form of cash, investment securities 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 loans 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 is exposed to declining property values in Oman on the collateral supporting its retail banking, wholesale banking and commercial banking loans secured by mortgages over real estate***

The Bank's total gross customer loan portfolio as at 31 December 2021 was RO 3,239.89 million, which included loans secured by mortgages over real estate. Negative economic and other factors could lead to a contraction in the residential mortgage and commercial lending markets and to decreases in residential and commercial property prices. This would adversely affect the value of the Bank's collateral and could lead to increased impairment charges which would reduce the Bank's profitability.

***The Bank is exposed to fluctuations in interest rates and foreign exchange rates and to changes in the market value of its investment securities portfolio***

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 the debt securities in its investment securities portfolio and may raise the Bank's funding costs. As a result, the Bank may experience a reduction in its net interest income. See note 32.3 to the 2021 Financial Statements which illustrates the Bank's interest rate sensitivity as at 31 December 2021. 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.

As a financial intermediary, the Bank is exposed to foreign exchange rate risk. In general, the Bank aims to make foreign currency loans on terms that are generally similar to its foreign currency borrowings, thereby naturally hedging its exposure. Where this is not possible, it generally employs cross currency forwards, options and swaps to match the currencies of its assets and liabilities. Any open currency position is maintained within the limits set by the CBO. However, where the Bank is not so hedged, it is exposed to fluctuations in foreign exchange rates. Adverse movements in foreign exchange rates also may impact the creditworthiness of its depositors and borrowers negatively, which in turn may impact on its deposit base and the quality of its exposures to certain borrowers. Any volatility in foreign exchange rates, including as a result of the re-fixing of the pegged Riyal - U.S. dollar exchange rate (or the elimination of that peg altogether), 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 may also be affected by changes in the market value of its investment securities portfolio. The Bank earns interest income on the debt securities comprised in the portfolio. It also realises gains and losses on the sale of securities and records unrealised gains and losses resulting from the fair valuation of the securities at each balance sheet date in its statement of comprehensive income. The level of the Bank's income from its investment securities depends on numerous factors beyond the Bank's control, such as overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility. In addition, the fair value of the Bank's fixed income investment securities changes in response to perceived changes in the credit quality of the issuers of the securities as well as changes in interest and currency exchange rates and a decline in the credit quality of any of the issuers of the debt securities held by the Bank could result in the Bank making impairments or write-offs in respect of those securities.

***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 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. Increased competition in the UAE where the Bank currently operates could also result in similar competition for its operations in the UAE.

***Impact of consolidations or mergers***

The Omani 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 30 June 2022, the Bank was the third largest bank in Oman by total loans, representing approximately 14.1 per cent. of total credit and 12.3 per cent. of total deposits (Source: CBO July 2022 Monthly Statistical Bulletin). 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. For example, in July 2020 Alizz Islamic Bank SAOG was acquired by Oman Arab Bank SAOG and Sohar International Bank SAOG, Bank Nizwa SAOG and HSBC Oman SAOG are currently pursuing merger negotiations. The benefits which may result from any merger or consolidation may enable the Bank's competitors to significantly enhance their financial resources, access to funding and product offerings. 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's business is dependent on its IT systems which are subject to potential cyber-attack***

The Bank is dependent on sophisticated IT systems, the failure, ineffectiveness or disruption of which could materially adversely affect the Bank's businesses. 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 IT 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.

The proper functioning of the Bank's IT 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.

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. 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. Any failure by the Bank 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 risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks***

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. In addition, certain risks may not be accurately quantified by the Bank's risk management systems. Some of the Bank's methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could be significantly greater than historical market data indicates. In addition, certain risks could be greater than the Bank's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Bank operates, its clients 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.

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

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, and the Bank performs regular internal audits 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. 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 shareholder may conflict with those of holders of the Capital Securities***

The Bank's principal shareholder is The Commercial Bank (P.S.Q.C.) ("**Commercial Bank**"), a Qatari bank which holds approximately 34.9 per cent. of the Bank's share capital as at 30 September 2022. By virtue of such shareholding, Commercial Bank has the ability to influence the Bank's business significantly through its ability to control and/or block certain actions that require shareholder approval. If circumstances were to arise where the interests of Commercial Bank 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 negatively impact the Bank***

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 Prospectus, the Bank has been assigned the following rates:

- a long-term issuer default rating of 'BB-' (stable outlook) by Fitch Ratings Limited ("**Fitch**");
- a senior unsecured bond rating of 'Ba3' (positive outlook) by Moody's Investors Service Cyprus Ltd. ("**Moody's Cyprus**"); and
- a foreign currency long-term rating of BB (stable outlook) by Capital Intelligence.

The Bank's ratings are impacted by changes in the Government's ratings, with recent changes in the Government's ratings having been reflected in changes in the Bank's ratings shortly thereafter. Both the Government's rating and the Bank's ratings declined in recent years, with the Moody's long term issuer and senior unsecured bond ratings of the Government declining from Baa3 at the start of 2019 to its current level of Ba3 and the Moody's senior unsecured bond rating for the Bank declining from Baa3 to its current level of Ba3.

Any further downgrade or potential downgrade of Oman's 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 downgrade of the Bank's credit ratings (or the announcement of a negative change in the outlook for the ratings) may limit the Bank's 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 Prospectus and other factors may affect the value of the Capital Securities.

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), as well as the laws and regulations of the other countries in which the Bank operates. 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 the Bank's business, results of operations and financial condition, liquidity and prospects and thereby affect its ability to make payments in respect of the Capital Securities.

The Bank is also required to comply with applicable know your customer, anti-money laundering and counter-terrorism financing laws and regulations, including those related to countries subject to national or international sanctions, and applicable anti-corruption laws in the jurisdictions in which it conducts business. To the extent that the Bank fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged, with consequent adverse effects on its business and prospects.

***The Bank is exposed to the risk of changing regulation that adversely affects its business***

The Bank operates in a highly regulated industry and is exposed to the risk that changing regulation may adversely affect its business. For example, in September 2021, the CBO issued the Financial Consumer Protection regulatory framework which gives the CBO broad powers to regulate Omani banks.

The Bank is subject to regulation relating to the amount of capital the Bank is required to maintain. Whilst the Bank is currently in compliance with all CBO capital adequacy and liquidity requirements, 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 and any significant increases in capital requirements could limit the Bank's activities. In addition, other 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.

In addition, it has been announced that the CBO is currently 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. There is currently no announced timing for the release of the draft law.

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 (which may not be available on attractive terms or at all) in order to maintain Omani capital adequacy requirements or different varieties of funding to satisfy the Omani liquidity requirements. In addition, a regulatory breach of guidelines in Oman could expose the Bank to potential liability and other sanctions, including the loss of its general banking licence.

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 also become subject to mandatory guidelines and direct monitoring by the CBO should its capital position weaken.

If the Bank is unable to maintain its capital ratios at a sufficiently high level, its credit ratings may drop, its cost of funding may increase and its ability to enter into financial arrangements and thereby generate revenue may be 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 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.

***Regulation of interest rates under Omani law***

The CBO and the MOCIIP each have the power to regulate interest rates in Oman. Ministerial Decision 329/2022 (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 55/90, as amended) (the "**Ministerial Decision**"), specifies that the maximum rate of "return" that a creditor has the right to receive on a loan or commercial debt is 6 per cent. Whilst it is the Bank's understanding that the MOCIIP 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.

There is a possibility that the Omani courts, pursuant to Royal Decree 29/2013 (the "**Civil Transactions Law**"), may 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 any provisions which are deemed contrary to *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 MOCIIP and the CBO, Omani courts will not enforce interest claims in excess of what the relevant court considers 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 an Omani court.

***The Bank may be exposed to an increased tax burden as a result of future changes in the Omani tax law***

Pursuant to an amendment (the "**Tax Amendment**") to Article 52 of the Income Tax Law (Royal Decree 28/2009, as amended) (the "**Tax Law**"), withholding tax was levied on additional kinds of cross-border payments including interest and dividends. Under the Tax Amendment, which came into force on 27 February 2017, withholding tax is to be levied on the gross amount of dividends or interest, paid to persons who are not Oman Tax Residents (as defined in "*Taxation - Oman*"), at the rate of 10 per cent., and remitted to the Oman Tax Authority or any successor entity.

An amendment to the Executive Regulations of the Tax Law (MD 30/2012) (the "**Executive Regulations**") by Ministerial Decision 14/2019 ("**MD 14/2019**") clarified that interest payable on bonds and sukuk issued by the Government or banks incorporated in Oman, would not be subject to withholding tax under Article 52 of the Tax Law.

Subsequently, the CMA on 15 May 2019 announced that on the basis of a Royal Directive, withholding tax applicable on cross-border payments of interest and dividends would be suspended for a period of three years effective from 6 May 2019 (the "**Tax Suspension**"). The Tax Suspension applies to all Omani companies and is not restricted to the Government and banks incorporated in Oman (as provided for in the amendment to the Executive Regulations pursuant to MD 14/2019). The Tax Suspension was further extended up to 2024 as part of an incentive in an economic stimulus plan announced by His Majesty Sultan Haitham bin Tarik on 9 March 2021.

Currently, companies in Oman, including the Bank, making payment of interest and dividends to persons who are not Oman Tax Residents are not obliged to deduct withholding tax on such payments. However, any obligation to gross up withholding tax on interest payments to persons who are not Oman Tax Residents, in future, is expected to increase the Bank's finance costs in connection with its borrowings, including the Capital Securities.

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 future increases 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.

Additionally, as part of a broader, regional framework, Oman implemented value-added tax (**VAT**) on 16 April 2021 at the rate of 5 per cent. With effect from 16 April 2021, VAT is now payable on most goods and services exported to or imported from Oman.

**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 other 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 other 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.

The Bank's business, operating results, cash flows and financial condition may be materially impacted by regional political instability in the MENA region, including: government or military regime changes, riots or other forms of civil disturbance or violence (such as acts of terrorism); an increase in inflation and the cost of living in the jurisdictions in which the Bank conducts business; cancellation of the Bank's contractual rights, expropriation of its assets and/or an inability of the Bank to repatriate profits and/or dividends; changing tax regimes, including the imposition or increase of taxes in the jurisdictions in which the Bank conducts business; difficulties in enforcing the collateral held in respect of loans issued to the Bank's customers; and potential adverse changes in laws and regulatory practices in the jurisdictions in which the Bank conducts business including legal structures and tax laws.

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 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 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.

***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 2021, 93.7 per cent. of the Bank's total assets and 88.0 per cent. of the Bank's total liabilities were in Oman. Therefore, the financial performance of the Bank is heavily dependent on the macroeconomic performance of the Omani economy, which, in turn, is relatively dependent on 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 gross domestic product ("**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, 73.1 per cent.

of Government revenue in the six months to 30 June 2022 was derived from oil and gas according to the CBO's July 2022 monthly statistical bulletin. 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 and the average price for Omani crude oil was U.S.$50.7 per barrel in 2017, U.S.$69.7 per barrel in 2018, U.S.$63.6 per barrel in 2019, U.S.$46.0 per barrel in 2020, U.S.$64.3 per barrel in 2021 and U.S.$90.4 per barrel during the six months ended 30 June 2022. (Source: CBO Quarterly Statistical Bulletin June 2022). The significant increase in the 2022 period principally reflected sanctions imposed on Russia following its invasion of Ukraine.

Oil prices remain volatile and sustained low oil prices have the potential to adversely affect the economy of all oil producing countries, including Oman through their impact on Government revenues and spending and the indirect impact on other sectors of the economy, including the banking, trade, construction, real estate and tourism sectors in particular. These effects could have a material adverse effect on the Bank 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 more expensive sources of funding.

Further, any reduction in the Government revenues would reduce the likelihood and/or extent of the Government financial support being available to Omani banks, including the Bank, should such support be needed in the future.

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 Riyal 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. 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. The Bank does not have operations in any countries other than Oman, UAE and Egypt (see "*Description of National Bank of Oman SAOG - Branch Network and Product Distribution*").

Although Oman has not recently experienced terrorist attacks, such as those experienced by a number of countries in the MENA region including Egypt and Turkey, there can be no assurance that extremists or terrorist groups will not initiate violent activity in Oman. Any terrorist incidents in, or affecting, Oman or increased regional geopolitical instability (whether or not directly involving Oman) may have a material adverse effect on Oman's attractiveness for foreign investment and capital, its ability to engage in international trade, its tourist industry and, consequently, its economic, balance of payment and fiscal positions.

Other potential sources of instability in the region include the ongoing security situation in Iraq and Syria, the ongoing civil war in Yemen, an escalation in the Israeli-Palestinian conflict and periodic attacks on oil facilities in Saudi Arabia. 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 military strike by the United States which killed a senior Iranian military commander and the retaliatory Iranian missile strike on United States military bases in Iraq and the decision of Iran to resume uranium enrichment activities. Any further deterioration in political stability in the region, or increase in 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 recent and continued 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.

**Risks Relating to 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 (Royal Decree 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 *Shari'a* principles.

***Enforcing foreign judgments in Oman***

Although Omani law provides for the enforcement of foreign judgments in Oman subject to certain requirements being met, there have not been any foreign judgments (other than a judgment subject to a GCC reciprocity treaty) enforced in Oman.

There may be a possibility that the Oman courts, pursuant to the Civil Code, 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 Oman law.

***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 (Royal Decree 36/1998) (the "**Convention**"), and ratified the Riyadh Arab Convention of 1983 (Royal Decree 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.

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

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 (*Status, Subordination – 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 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 "*Risk Factors – 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*".

***Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are noncumulative***

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

Pursuant to Condition 6.2 (*Interest Restrictions – Non-Payment Election*), in the event of a Non-Payment Election, the Bank may not make payment of an Interest Payment Amount to holders of the 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) 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 (*Interest Restrictions – 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.

As at 30 September 2022, the Bank's Distributable Items amounted to RO 208.3 million.

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.

***The Capital Securities are 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, 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 (*Status, Subordination – Subordination of the Capital Securities*)); or

(c) by selling their Capital Securities.

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 "*Risk Factors – Factors related to market risks generally – 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.

***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 and Tier 2 instruments or the conversion of such additional Tier 1 instruments and Tier 2 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 and Variation – 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 "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – Variation upon the occurrence of a Capital Event or a Tax Event*" and "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The Capital Securities may be subject to early redemption; redemptions are conditional*".

***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 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 has ceased. Further, whilst it is intended that the ordinary shares of the Bank should absorb losses prior to the Capital Securities, 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. 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 may exist in its application.

***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 in circumstances that may be beyond the control of the Bank and with which the Bank or the holders of the Capital Securities may not agree.

*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 and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – 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 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 will cease or has ceased 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 would become required to pay Additional Amounts, whether or not a Non-Payment Event has occurred, as a result of any change in, or amendment to or interpretation of, the laws, published practice or regulations of Oman, or any change in the application or interpretation of such laws or regulations, which change or amendment becomes effective on or after 25 November 2022 (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 – 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 (as reasonably determined by the Bank), 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; redemptions are conditional***

Upon the occurrence of a Tax Event or a Capital Event, the Bank may, at any time, having given not less than 30 nor more than 60 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 Outstanding Payments (as more particularly described in Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) in relation to a Tax Event, and Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) in relation to a Capital Event).

Any redemption of the Capital Securities is subject to the requirements in Condition 9.1(a) (*Redemption and Variation – 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.

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 or the Capital Event 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.

***Modification***

The Conditions contain provisions for calling meetings 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 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 and Variation – Redemption or Variation due to Taxation*) and Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*). See "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – Variation upon the occurrence of a Capital Event or a Tax Event*".

***Trading in the clearing systems***

As the Capital Securities have a denomination consisting of the minimum Authorised Denomination (as defined in the Conditions and further described in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*)) 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 the 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 (as defined in the Conditions) 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.

***Reliance on Euroclear and Clearstream, Luxembourg procedures***

The Capital Securities will be represented on issue by a Global Certificate (as defined in the Conditions) that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Individual Certificates. Euroclear and Clearstream, Luxembourg 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 the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants. While Capital Securities are represented by the Global Certificate, the Bank will discharge its payment obligations under such Capital Securities by making payments through the relevant clearing systems. A holder of a beneficial interest in the 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 has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the 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.

**Factors related to market risks generally**

***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 sufficient 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 "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The Capital Securities are perpetual securities*"), are subordinated (see "*Risk Factors – 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*") and payments of Interest Payment Amounts may be cancelled in certain circumstances (see "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are noncumulative*").

Application has been made to Euronext Dublin for the Capital Securities to be admitted to the official list and to trading on its regulated market. However, there can be no assurance that any such listing 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 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.

***Emerging markets***

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

***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 is imposed by the Sultanate of Oman 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.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CBI shall be incorporated in, and form part of, this Prospectus:

(a) the Interim Financial Statements (an electronic copy of which is available at https://www.nbo.om/en/PublishingImages/Pages/Forms/AllItems/NBO%20Q3%20FS%2030%20Sept%202022.pdf);

(b) the 2021 Financial Statements, together with the audit report thereon (an electronic copy of which is available at https://www.nbo.om/en/PublishingImages/Pages/Forms/AllItems/DJ101497_R%20Annual%20Report%202021_EN_FAW_lores.pdf?csrt=8589819813441 27999 on pages 87 to 191); and

(c) the 2020 Financial Statements together with the audit report thereon (an electronic copy of which is available at https://www.nbo.om/en/PublishingImages/Pages/Forms/AllItems/NBO%202020_AR_combined_ENG_lores.pdf on pages 90 to 198).

Copies of the documents incorporated by reference in this Prospectus will be available for inspection during normal business hours at the registered office of the Bank and the specified office of the Agents.

Any parts of the documents referred to in paragraphs (a) to (c) above which are not expressly incorporated by reference in this Prospectus as provided above are either not relevant for investors or are covered elsewhere in this Prospectus.

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

Unless specifically incorporated by reference into this Prospectus, information contained on any website referred to in this Prospectus does not form part of this Prospectus.

# FORM OF THE CAPITAL SECURITIES

*The Global Certificate contains the following provisions which apply to the Capital Securities whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, words and expressions defined in "Terms and Conditions of the Capital Securities" shall have the same meanings in the following description.*

## Form of the Capital Securities

The Capital Securities will be in registered form and will be issued outside the United States to persons who are not U.S. Persons in reliance on Regulation S.

The Capital Securities will be represented by ownership interests in a global certificate in registered form (the "**Global Certificate**"). The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and will be registered in the name of a nominee for the Common Depositary. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Individual Certificates in fully registered form.

## Holders

For so long as the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the "**Registered Holder**"). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate principal amount of such Capital Securities (the "**Accountholders**") (in which regard any Capital Security or other document issued by a clearing system as to the aggregate 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 deemed to be the holder of the Capital Securities in respect of the aggregate principal amount of such Capital Securities standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder, as against the Bank and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions "**holder of Capital Securities**" and related expressions shall be construed accordingly. In addition, holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the relevant Capital Securities. 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.

## Cancellation

Cancellation of any Capital Security represented by the Global Certificate will be effected by reduction in the aggregate principal amount of the Capital Securities in the Register.

## Payments

Payments of any amount in respect of the Global Certificate will, in the absence of any provision to the contrary, be made:

(a) in the case of a Global Certificate, to the person shown on the Register as the registered holder of the Global Certificate at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business; and

(b) in the case of an Individual Certificate, to the persons shown on the Register on the relevant Record Date (as defined in the Conditions) immediately preceding the due date for payment in the manner provided in Condition 7.1 (*Payments – Payments in respect of Individual Certificates*).

None of the Bank or any Agent will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of ownership interests in the Capital Securities or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Redemption Amount in respect of Capital Securities represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office as may be specified by the Registrar subject to and in accordance with the Conditions and the Agency Agreement. Distributions of amounts with respect to book-entry interests in the Capital Securities held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Capital Securities will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

**Notices**

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 their Accountholders rather than by publication and delivery as required by the Conditions 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.

Whilst any of the Capital Securities held by a holder of the Capital Securities are represented by the Global Certificate, notices to be given by such holder of the Capital Securities may be given (where applicable) through Euroclear and/ or Clearstream, Luxembourg and otherwise in such manner as the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

**Registration of Title**

The Registrar will not register title to the Capital Securities in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Interest Payment Amount or the Redemption Amount in respect of the Capital Securities.

**Transfers**

Transfers of book-entry interests in the Capital Securities will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

**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. The Bank will promptly give notice to holders of the Capital Securities in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that: (a) an Event of Default (as defined in the Conditions) 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 the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Individual Certificates and the Bank will, at the cost of the Bank (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the holders of the Capital Securities. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Bank and the Registrar may require) to complete, execute and deliver such Individual Certificates.

**General**

In this Prospectus, "**Individual Certificate**" means a Capital Security in definitive registered form issued by the Bank in accordance with the provisions of the Agency Agreement in exchange for the Global Certificate, such Capital Security substantially in the form set out in schedule 2 to the Agency Agreement.

Any reference herein 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 may be approved by the Bank and the Fiscal Agent.

A Capital Security may be accelerated by the holder thereof in certain circumstances described in Condition 11 (*Events of Default*). In such circumstances, where any Capital Security is still represented by a Global Certificate and the Global Certificate (or any part thereof) has become due and repayable in accordance with the Conditions of such Capital Securities and payment in full of the amount due has not been made in accordance with the provisions of the Global Certificate, then the Global Certificate will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Certificate credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Bank on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the "**Deed of Covenant**") dated 29 November 2022 and executed by the Bank.

## TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

Each of the U.S.$134,111,000 Perpetual Tier 1 Capital Securities, and any further capital securities issued pursuant to Condition 16 (*Further Issues*), (the "**Capital Securities**") is issued by National Bank of Oman 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**") and made between the Bank, Citibank, N.A., London Branch as fiscal agent with its specified office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom (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**"), Citibank Europe PLC as registrar with its specified office at 1 North Wall Quay, Dublin 1, Ireland (in such capacity, the "**Registrar**"), Citibank N.A., London Branch as transfer agent with its specified office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom (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 as calculation agent with its specified office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom (the "**Calculation Agent**", which expression includes the Calculation Agent for the time being). The Paying Agents, the Registrar, the Transfer Agent and the Calculation 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.

The holders of the Capital Securities are entitled to the benefit of a deed of covenant dated the Issue Date (the "**Deed of Covenant**") and executed by the Bank. The original Deed of Covenant is held by the common depositary for Euroclear and Clearstream, Luxembourg (each as defined in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*)).

Copies of the Agency Agreement and the Deed of Covenant 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 and the Deed of Covenant. 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 to that term in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"**Authorised Signatories**" means the persons listed from time to time on the Bank's signatory card registered with the Ministry of Commerce, Industry and Investment Promotion 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, Oman;

"**Call Date**" means the First Call Date and any date thereafter up to and including the First Reset Date and any Interest Payment Date thereafter;

"**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 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 Regulator'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;

"**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));

"**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 (*Governing Law and Dispute Resolution – 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 (*Interest Restrictions – Dividend and Redemption Restrictions*);

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

"**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 paragraph (b) 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;

"**Existing Tier 1 Securities**" means the U.S.$300,000,000 Perpetual Tier 1 Capital Securities issued by the Bank on 1 April 2021;

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

"**First Call Date**" means 29 November 2027;

"**First Interest Payment Date**" means 29 May 2023;

"**First Reset Date**" means 29 May 2028;

"**Global Certificate**" means the global registered certificate;

"**H.15 (519)**" means the weekly statistical release designated as such, or any successor or replacement 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 Interest Rate determination date. The 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 – Interest Payments*);

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

"**Initial Period**" means the period from and including the Issue Date to, but excluding, the First Reset 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 29 May and 29 November in each year, starting on (and including) 29 May 2023;

"**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 rate calculated in accordance with the provisions of Condition 5.1 (*Interest – Interest Payments*);

"**Issue Date**" means 29 November 2022;

"**Junior Obligations**" means all claims of the holders of Ordinary Shares;

"**LCIA**" means the London Court of International Arbitration;

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

"**Non-Payment Event**" has the meaning given to it in Condition 6.1 (*Interest Restrictions – 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**" in relation to the Bank, means: (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business; or (b) any other event or circumstance which is specified as constituting non-viability by the Regulator or as is set out in the applicable banking regulations;

"**Obligations**" has the meaning given to it in Condition 4.2 (*Status, Subordination – 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 the Bank's payment obligations under the Existing Tier 1 Securities and all other 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 7.4 (*Payments – Payment Day*);

"**Proceedings**" has the meaning given to it in Condition 19.3 (*Governing Law and Dispute Resolution – Consent to enforcement*);

"**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; and

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

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 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, Denomination and Title – Form and Denomination*);

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

"**Relevant 5 Year Reset Rate**" means: (a) the per annum rate (expressed as a decimal) 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) in respect of any Reset Period, 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 maturing 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). In respect of any Reset Period, if the Bank cannot procure the determination of the Relevant 5 Year Reset Rate on the relevant U.S. Securities Determination Date pursuant to the methods described in (a) and (b) above, then the Relevant 5 Year Reset Rate will be: (I) equal to the rate applicable to the immediately preceding Reset Period; or (b) in the case of the Reset Period commencing on the First Reset Date, 3.889 per cent.;

"**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*);

"**Replacement Agent**" means the Registrar and the Transfer Agents;

"**Reset Date**" means the First Reset Date and every fifth anniversary thereafter;

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

"**Rules**" has the meaning given to it in Condition 19.2 (*Governing Law and Dispute Resolution – 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 or interpretation of, 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 25 November 2022 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;

"**Taxes**" has the meaning given to it in Condition 12 (*Taxation*);

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

"**Tier 2 Capital**" means capital qualifying as, and approved by the Regulator as, tier 2 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 and even if the Non-Viability Event has ended.

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

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.

*Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive Individual Certificates representing their holdings of Capital Securities. See "Form of the Capital Securities".*

### 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

### 3.1 Transfers of interests in the Global Certificate

Capital Securities which are represented by the 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 5 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 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

### 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.

(c) In accordance with these Conditions, the Obligations shall be neither secured nor guaranteed by any entity and shall not be subject to any other arrangement which, either legally or economically or otherwise, enhances the seniority of the claims of holders of the Capital Securities in respect of the Obligations compared with the claims of holders or beneficiaries of Senior Obligations (including deposit holders and general creditors of the Bank and holders of other subordinated payment obligations of the Bank, to which the Obligations rank, or are expressed to rank, junior).

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**

Subject to Condition 6 (*Interest Restrictions*), the Capital Securities bear interest from (and including) the Issue Date to (but excluding) the First Reset Date at a rate of 6.750 per cent. per annum (the "**Initial Interest Rate**") on the outstanding principal amount of the Capital Securities (being the aggregate of an initial margin of 2.861 per cent. per annum (the "**Initial Margin**") and the Relevant 5 Year Reset Rate as determined for the Issue Date) in accordance with the provisions of this Condition 5. The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.$33.75 per U.S.$1,000 in principal amount of the Capital Securities.

Subject to Condition 6 (*Interest Restrictions*), interest shall be payable on the Capital Securities semi-annually in arrear 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) ***Interest Rate***

For the purpose of calculating payments of interest on and from the First Reset Date, the interest rate will be reset on each Reset Date on the basis of the aggregate of the Initial Margin and the Relevant 5 Year Reset Rate on the relevant U.S. Securities 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 Irish Stock Exchange plc trading as Euronext Dublin 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.

(b) ***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, shall (in the absence of wilful default, bad faith or manifest error) be binding on 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 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 – 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; or

(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 – 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 – 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 (Interest Restrictions – 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). 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 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 (*Interest Restrictions – Non-Payment Event*) or Condition 6.2 (*Interest Restrictions – 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 15th day (whether or not such 15th day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date 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.

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 **Payments Subject to Laws**

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

7.4 **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.

7.5 **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 in the preamble to the Conditions.

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 U.S. Securities Determination Date prior to the First Reset Date, and so long as any Capital Securities remain outstanding thereafter, there will be a Calculation Agent; and

(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.

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 Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) only) the change of law or regulation or change in interpretation giving rise to the right to redeem the Capital Securities becomes effective after 25 November 2022,

(in the case of paragraphs (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) (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*), the Bank may, by giving not less than 10 nor more than 15 days' prior notice to the Fiscal Agent, the Registrar and the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (which notices shall be irrevocable and specify the date fixed for redemption), redeem all, but not some only, of the Capital Securities at the Early Redemption Amount.

Redemption of the Capital Securities pursuant to this Condition 9.1(b) may only occur on a Call Date.

*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) (*Redemption and Variation – 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 10 nor more than 15 days' prior notice to the Fiscal Agent, the Registrar 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) (*Redemption and Variation – 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 9.1(c)(iii) 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) (*Redemption and Variation – 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 10 nor more than 15 days' prior notice to the Fiscal Agent, the Registrar 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 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) (*Redemption and Variation – 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 and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – 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 (*Redemption and Variation – 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 (*Write-down at the Point of Non-Viability – Non-Viability Notice*).

A Non-Viability Event means that upon the occurrence of a trigger event, which, in accordance with the definition of "**Non-Viability Event**" in Condition 1 (*Interpretation*), is the earlier of: (a) the Regulator having notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without a Write-down; or (b) a decision having been taken to make a public sector injection of capital or equivalent support, without which the Bank is, or will become, Non-Viable, the Capital Securities shall be permanently written-down in whole or in part, as further provided in the definition of "**Write-down**" in Condition 1 (*Interpretation*), as determined by the Bank in conjunction with the Regulator in accordance with the Capital Regulations.

For the avoidance of doubt, where the Regulator has determined that a public sector injection of capital (or equivalent support) is required, the Write-down will be full and permanent, and shall occur prior to any public sector injection of such capital or equivalent support.

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

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

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

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

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 Condition 6.1 (*Interest Restrictions – Non-Payment Event*) and Condition 6.2 (*Interest Restrictions – 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) (*Redemption and Variation – 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 and Variation – Redemption or Variation due to Taxation*)) or a Capital Event (pursuant to Condition 9.1(d) (*Redemption and Variation – 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)* (*Redemption and Variation – 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 – 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 30$^{th}$ day assuming that day to have been a Payment Day; or

(c) for or on account of any withholding or deduction arising under or in connection with any 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, official interpretations thereof or any law in any jurisdiction implementing any 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 ten years (in the case of principal) and 5 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. 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 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. 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.

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, the Agency Agreement or the Deed of Covenant which is not prejudicial to the interests of the holders of the Capital Securities; or

(b) any modification of the Capital Securities, the Agency Agreement or the Deed of Covenant 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 (*Status, Subordination – Subordination of the Capital Securities*)), and any non-contractual obligations arising out of or in connection with the Agency Agreement and the Capital Securities (including the remaining provisions of this Condition 19) are governed by, and shall be construed in accordance with, English law. Condition 4.2 (*Status, Subordination – 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 as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (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, or legal place, 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. The parties to the Dispute shall each nominate one arbitrator and both arbitrators, together, shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. Without prejudice to Article 8 of the Rules, in the event that one party to the Dispute, or both, fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to appoint the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

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

19.3 **Consent to enforcement**

The Bank consents generally in respect of any proceedings relating to a dispute ("**Proceedings**") to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

19.4 **Waiver of immunity**

To the extent that the Bank may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Bank or its assets or revenues, the Bank agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

19.5 **Other documents**

The Bank has in the Agency Agreement and the Deed of Covenant submitted to arbitration and waived its immunity in terms substantially similar to those set out above.

*There will appear at the foot of the Conditions endorsed on each Capital Security in definitive form the names and specified offices of the Registrar, Transfer Agents and the Paying Agents as set out at the end of this Prospectus.*

## USE OF PROCEEDS

The proceeds from the issue of Capital Securities are expected to amount to U.S.$134,111,000. The proceeds will be used by the Bank: (a) to manage its Tier 1 Capital (as defined in the Conditions) base and overall capital adequacy; and (b) for its general corporate purposes.

## 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 included elsewhere in this Prospectus.

The following tables set forth selected financial information of the Bank as at and for the nine months ended 30 September 2022 and as at and for the years ended 31 December 2021 and 31 December 2020, extracted from the Financial Statements.

### STATEMENT OF FINANCIAL POSITION DATA

| | As at 30 September 2022 | | As at 31 December 2021 | | As at 31 December 2020 | |
|---|---|---|---|---|---|---|
| | *RO'000* | *USD'000* | *RO'000* | *USD'000* | *RO'000* | *USD'000* |
| **ASSETS** | | | | | | |
| Cash and balances with Central Banks | 211,027 | 548,122 | 307,870 | 799,662 | 192,457[(1)] | 499,888[(1)] |
| Due from banks and other money market placements (net) | 163,649 | 425,062 | 114,685 | 297,883 | 94,716 | 246,016 |
| Loans, advances and Islamic financing assets (net) | 3,257,607 | 8,461,317 | 3,088,646 | 8,022,457 | 2,887,862 | 7,500,940 |
| Financial investments (net) | 409,416 | 1,063,418 | 447,178 | 1,161,501 | 342,203[(1)] | 888,839[(1)] |
| Property and equipment | 57,595 | 149,597 | 59,892 | 155,564 | 62,568 | 162,514 |
| Other assets | 95,128 | 247,086 | 62,796 | 163,107 | 52,845 | 137,260 |
| **Total assets** | **4,194,422** | **10,894,603** | **4,081,067** | **10,600,174** | **3,632,651** | **9,435,457** |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Liabilities** | | | | | | |
| Due to banks and other money market deposits | 267,645 | 695,182 | 297,729 | 773,322 | 288,723 | 749,930 |
| Customers' deposits and unrestricted investment accounts | 3,013,484 | 7,827,231 | 2,917,732 | 7,578,525 | 2,527,179 | 6,564,101 |
| Euro medium term notes | 187,819 | 487,842 | 192,500 | 500,000 | 192,500 | 500,000 |
| Other liabilities | 131,788 | 342,306 | 104,476 | 271,365 | 84,448 | 219,345 |
| Taxation | 13,410 | 34,831 | 13,175 | 34,221 | 9,568 | 24,852 |
| **Total liabilities** | **3,614,146** | **9,387,392** | **3,525,612** | **9,157,433** | **3,102,418** | **8,058,228** |
| **Equity** | | | | | | |
| Share capital | 162,595 | 422,325 | 162,595 | 422,325 | 162,595 | 422,325 |
| Share premium | 34,465 | 89,519 | 34,465 | 89,519 | 34,465 | 89,519 |
| Legal reserve | 54,198 | 140,774 | 54,198 | 140,774 | 54,198 | 140,774 |
| Other reserves | 5,188 | 13,475 | 5,334 | 13,855 | 1,564 | 4,062 |
| Proposed cash dividend | - | - | 6,016 | 15,626 | - | - |
| Retained earnings | 208,330 | 541,117 | 177,347 | 460,642 | 161,911 | 420,549 |
| **Total equity attributable to the shareholders of the Bank** | **464,776** | **1,207,210** | **439,955** | **1,142,741** | **414,733** | **1,077,229** |
| Tier 1 perpetual bond | 115,500 | 300,000 | 115,500 | 300,000 | 115,500 | 300,000 |
| **Total equity** | **580,276** | **1,507,210** | **555,455** | **1,442,741** | **530,233** | **1,377,229** |
| **Total liabilities and equity** | **4,194,422** | **10,894,603** | **4,081,067** | **10,600,174** | **3,632,651** | **9,435,457** |

Note:

(1) As presented in the 2021 Financial Statements. RO 23,669 thousand that was classified as cash and balances with central banks in the 2020 Financial Statements was reclassified as financial investments in the comparative column for 2020 in the 2021 Financial Statements.

### STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME DATA

| | For the nine months ended 30 September 2022 | | For the nine months ended 30 September 2021 | |
|---|---|---|---|---|
| | *RO'000* | *USD'000* | *RO'000* | *USD'000* |
| Interest income | 131,725 | 342,143 | 123,531 | 320,860 |
| Interest expense | (61,579) | (159,945) | (59,013) | (153,281) |
| **Net interest income** | **70,146** | **182,197** | **64,518** | **167,579** |
| Income from Islamic financing and investment activities | 7,920 | 20,571 | 7,279 | 18,906 |
| Unrestricted investment account holders' share of profit | (3,769) | (9,790) | (3,999) | (10,387) |
| **Net income from Islamic financing and investment assets** | **4,151** | **10,782** | **3,280** | **8,519** |
| Net interest income and net income from Islamic financing and Investment assets | 74,297 | 192,979 | 67,798 | 176,099 |
| Fee and commission income (net) | 15,740 | 40,883 | 14,415 | 37,442 |
| Other operating income | 11,929 | 30,984 | 9,826 | 25,522 |
| **Operating income** | **101,966** | **264,847** | **92,039** | **239,062** |
| Staff costs | (26,604) | (69,101) | (28,090) | (72,961) |
| Other operating expenses | (12,948) | (33,631) | (13,689) | (35,556) |
| Depreciation | (4,397) | (11,421) | (4,643) | (12,060) |
| **Total operating expenses** | **(43,949)** | **(114,153)** | **(46,422)** | **(120,577)** |
| **Profit from operations before impairment losses and tax** | **58,017** | **150,694** | **45,617** | **118,486** |
| Total impairment losses on financial instruments (net) | (15,807) | (41,057) | (17,830) | (46,312) |

| | For the nine months ended 30 September 2022 | | For the nine months ended 30 September 2021 | |
|---|---|---|---|---|
| | *RO'000* | *USD'000* | *RO'000* | *USD'000* |
| **Profit before tax** | **42,210** | **109,636** | **27,787** | **72,174** |
| Taxation | (6,679) | (17,348) | (4,283) | (11,125) |
| **Profit for the period** | **35,531** | **92,288** | **23,504** | **61,049** |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | | |
| Equity investments at FVOCI – net change in fair value | (156) | (405) | 2,736 | 7,106 |
| Tax effect of equity investments at FVOCI – net change in fair value | 82 | 213 | (294) | (764) |
| ***Items that are or maybe reclassified subsequently to profit or loss*** | | | | |
| Debt instruments at fair value through other comprehensive income | - | - | 100 | 260 |
| **Other comprehensive (expense)/income for the period** | **(74)** | **(192)** | **2,542** | **6,603** |
| **Total comprehensive income for the period** | **35,457** | **92,096** | **26,046** | **67,652** |

| | For the year ended 31 December 2021 | | For the year ended 31 December 2020 | |
|---|---|---|---|---|
| | *RO'000* | *USD'000* | *RO'000* | *USD'000* |
| Interest income | 165,588 | 430,099 | 163,191 | 423,873 |
| Interest expense | (78,560) | (204,052) | (76,297) | (198,174) |
| **Net interest income** | **87,028** | **226,047** | **86,894** | **225,699** |
| Income from Islamic financing and investment activities | 9,728 | 25,268 | 8,935 | 23,208 |
| Unrestricted investment account holders' share of profit | (5,174) | (13,439) | (4,925) | (12,792) |
| Net income from Islamic financing and investment assets | **4,554** | **11,829** | **4,010** | **10,416** |
| Net interest income and net income from Islamic financing and Investment assets | **91,582** | **237,876** | **90,904** | **236,115** |
| Fee and commission income (net) | 18,861 | 48,990 | 12,940 | 33,610 |
| Other operating income | 12,908 | 33,527 | 13,119 | 34,076 |
| **Operating income** | **123,351** | **320,393** | **116,963** | **303,801** |
| Staff costs | (38,885) | (101,000) | (38,539) | (100,101) |
| Other operating expenses | (18,469) | (47,971) | (18,814) | (48,868) |
| Depreciation | (6,144) | (15,958) | (6,473) | (16,813) |
| **Total operating expenses** | **(63,498)** | **(164,929)** | **(63,826)** | **(165,782)** |
| **Profit from operations before impairment losses and tax** | **59,853** | **155,464** | **53,137** | **138,019** |
| Total impairment losses on financial instruments (net) | (23,985) | (62,299) | (31,329) | (81,374) |
| **Profit before tax** | **35,868** | **93,165** | **21,808** | **56,645** |
| Taxation | (5,591) | (14,522) | (3,660) | (9,506) |
| **Profit for the year** | **30,277** | **78,643** | **18,148** | **47,139** |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Equity investments at FVOCI – net change in fair value | 4,098 | 10,644 | (3,425)[(1)] | (8,896) [(1)] |
| Tax effect of equity investments at FVOCI – net change in fair value | (458) | (1,190) | 277 | 719 |
| *Items that are or maybe reclassified subsequently to profit or loss* | | | | |
| Debt instruments at FVOCI – net change in fair value | 130 | 338 | (43) | (111) |
| **Other comprehensive income/(expense) for the year** | **3,770** | **9,792** | **(3,191)[(1)]** | **(8,289) [(1)]** |
| **Total comprehensive income for the year** | **34,047** | **88,435** | **14,957[(1)]** | **38,850[(1)]** |

Note:
(1) As presented in the 2021 Financial Statements.

## STATEMENT OF CASH FLOWS

| | For the nine months ended 30 September 2022 | | For the nine months ended 30 September 2021 | |
|---|---|---|---|---|
| | *RO'000* | *USD'000* | *RO'000* | *USD'000* |
| **OPERATING ACTIVITIES** | | | | |
| Profit before taxation | 42,210 | 109,636 | 27,787 | 72,174 |
| Adjustments for: | | | | |
| Depreciation | 4,397 | 11,421 | 4,643 | 12,060 |
| Provision for credit losses (net) | 15,916 | 41,340 | 17,600 | 45,714 |

| | For the nine months ended 30 September 2022 | | For the nine months ended 30 September 2021 | |
|---|---|---|---|---|
| | *RO'000* | *USD'000* | *RO'000* | *USD'000* |
| (Release)/provisionof credit losses for loans and advances to banks/investments (net) | (109) | (283) | 230 | 597 |
| Profit on sale of investments | (2,864) | (7,439) | (218) | (566) |
| Profit on sale of fixed assets | (39) | (101) | (787) | (2,044) |
| Amortisation of premium/discount (net) | (475) | (1,234) | (492) | (1,278) |
| Translation differences | 32 | 83 | - | - |
| Dividend income | (1,474) | (3,829) | (1,160) | (3,013) |
| **Operating cash flows before changes in operating assets and liabilities** | **57,594** | **149,595** | **47,603** | **123,644** |
| Due from banks and other money market deposits | (1,781) | (4,626) | 6,630 | 17,221 |
| Due to banks and other money market placements | 1,152 | 2,992 | 40,462 | 105,096 |
| Loans and advances to customers | (185,403) | (481,566) | (162,317) | (421,603) |
| Other assets | (32,332) | (83,979) | (3,268) | (8,488) |
| Customers' deposits | 95,752 | 248,706 | 222,700 | 578,442 |
| Other liabilities | 24,386 | 63,838 | (2,243) | (5,826) |
| **Cash (used in)/ from operating activities** | **(40,632)** | **(105,538)** | **149,567** | **388,486** |
| Taxes paid | (6,476) | (16,821) | (1,945) | (5,052) |
| **Net cash (used in)/ from operating activities** | **(47,108)** | **(122,358)** | **147,622** | **383,434** |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of investments | (50,310) | (130,675) | (123,090) | (319,714) |
| Proceeds from sale of investments | 91,376 | 237,340 | 12,289 | 31,919 |
| Purchase of property and equipment | (2,141) | (5,561) | (3,065) | (7,961) |
| Proceeds from disposal of property and equipment | 80 | 208 | 934 | 2,426 |
| Dividend income | 1,474 | 3,829 | 1,160 | 3,013 |
| **Net cash from/(used in) investing activities** | **40,479** | **105,140** | **(111,772)** | **(290,317)** |
| **FINANCING ACTIVITIES** | | | | |
| Payment of dividend | (6,016) | (15,626) | - | - |
| Proceeds from AT1 capital | - | - | 115,500 | 300,000 |
| Redemption of AT1 capital | - | - | (115,500) | (300,000) |
| Payment of lease liability | (1,229) | (3,192) | (1,992) | (5,174) |
| Payment of tier 1 perpetual bond | (4,620) | (12,000) | (4,092) | (10,629) |
| **Net cash used in financing activities** | **(11,865)** | **(30,818)** | **(6,084)** | **(15,803)** |
| **(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(18,494)** | **(48,036)** | **29,766** | **77,314** |
| Cash and cash equivalents at the beginning of the period | 265,142 | 688,681 | 101,343 | 263,229 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **246,648** | **640,644** | **131,109** | **340,543** |
| **REPRESENTING:** | | | | |
| Cash and balances with central banks | 210,527 | 546,823 | 213,427 | 554,356 |
| Due from banks (maturing within three months) | 137,061 | 356,003 | 86,404 | 224,426 |
| Due to banks (maturing within three months) | (100,940) | (262,182) | (168,722) | (438,239) |
| **Total** | **246,648** | **640,644** | **131,109** | **340,542** |

| | For the year ended 31 December 2021 | | For the year ended 31 December 2020 | |
|---|---|---|---|---|
| | *RO'000* | *USD'000* | *RO'000* | *USD'000* |
| **OPERATING ACTIVITIES** | | | | |
| Profit before taxation | 35,868 | 93,164 | 21,808 | 56,645 |
| Adjustments for: | | | | |
| Depreciation | 6,144 | 15,958 | 6,473 | 16,813 |
| Allowance for credit losses – financial instruments | 23,985 | 62,299 | 31,329[1] | 81,373[1] |
| Amortisation of premium | (648) | (1,684) | (624) | (1,621) |
| Profit on sale of property and equipment | (787) | (2,044) | (5) | (13) |
| (Profit)/loss on investments at FVTPL | (891) | (2,314) | (94) | (244) |
| Translation differences | - | - | (3) | (8) |
| Dividend income | (1,249) | (3,244) | (1,612) | (4,187) |
| **Operating cash flows before changes in operating assets and liabilities** | **62,422** | **162,135** | **57,272**[1] | **148,758**[1] |
| Due from banks and other money market placements | (6,556) | (17,029) | 16,899 | 43,894 |
| Due to banks and other money market deposits | 44,065 | 114,455 | (15,189) | (39,452) |
| Loans, advances and Islamic financing assets | (224,615) | (583,415) | (118,207) [1] | (307,031) [1] |
| Other assets | (9,951) | (25,846) | (12,099) | (31,426) |
| Customers' deposits | 390,553 | 1,014,423 | (4,340) [1] | (11,271) [1] |

| | For the year ended 31 December 2021 | | For the year ended 31 December 2020 | |
|---|---|---|---|---|
| | *RO'000* | *USD'000* | *RO'000* | *USD'000* |
| Other liabilities | 22,944 | 59,595 | 16,586 | 43,080 |
| **Cash (used in)/ from operating activities** | **278,862** | **724,318** | **59,078** (1) | **-153,449** (1) |
| Taxes paid | (1,945) | (5,052) | (7,313) (1) | (18,995) (1) |
| **Cash (used in)/ from operating activities** | **276,917** | **719,266** | **-66,391** | **-172,444** |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of investments | (126,850) | (329,481) | (55,158) (1) | (143,268) (1) |
| Proceeds from sale of investments | 26,792 | 69,590 | 9,562 | 24,836 |
| Purchase of property and equipment | (3,614) | (9,387) | (4,031) | (10,470) |
| Proceeds from disposal of property and equipment | 933 | 2,423 | 45 | 117 |
| Dividend received | 1,249 | 3,244 | 1,612 | 4,187 |
| **Net cash used in investing activities** | **(101,490)** | **(263,611)** | **(47,970)** (1) | **(124,598)** (1) |
| **FINANCING ACTIVITIES** | | | | |
| Payment of dividend | - | - | (27,316) | (70,950) |
| Repayment in subordinated debt | - | - | - | - |
| Payment of lease liability | (2,916) | (7,574) | (1,957) | (5,083) |
| Interest on Tier 1 perpetual bond | (8,712) | (22,629) | (9,096) | (23,626) |
| **Net cash used in financing activities** | **(11,628)** | **(30,203)** | **(38,369)** | **(99,660)** |
| **(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS** | **163,799** | **425,452** | **(152,730)** (1) | **(396,702)** (1) |
| Cash and cash equivalents at the beginning of the year | 101,343 | 263,229 | 254,073(1) | 659,930(1) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | **265,142** | **688,681** | **101,343** | **263,228** |
| **REPRESENTING:** | | | | |
| Cash and balances with central banks | 307,370 | 798,364 | 191,957 | 498,589 |
| Due from banks maturing within three months | 89,948 | 233,631 | 76,621 | 199,016 |
| Due to banks maturing within three months | (132,176) | (343,314) | (167,235) | (434,374) |
| **Total** | **265,142** | **688,681** | **101,343**(1) | **263,228**(1) |

Note:
(1) As presented in the 2021 Financial Statements.

## SELECTED FINANCIAL RATIOS

| | As at/for the nine months ended | | As at / for the year ended | |
|---|---|---|---|---|
| | **30 September 2022** | **30 September 2021** | **31 December 2021** | **31 December 2020** |
| Return on average assets [1] | 1.1% | 0.8% | 0.8% | 0.5% |
| Return on average equity [2] | 8.4% | 5.8% | 5.5% | 3.4% |
| Net interest margin [3] | 2.5% | 2.4% | 2.5% | 2.6% |
| Customers' deposits/total assets | 71.8% | 70.2% | 71.5% | 69.6% |
| Cost to income ratio [4] | 43.1% | 50.4% | 51.5% | 54.6% |
| Non-performing financings ratio [5] | 5.6% | 4.9% | 5.3% | 5.6% |
| Non-performing financings provisions ratio [6] | 91.1% | 94.9% | 90.0% | 94.2% |
| Capital adequacy ratio [7] | 15.3% | 15.4% | 15.8% | 16.4% |
| Common equity tier 1 capital ratio [7] | 11.5% | 11.3% | 11.8% | 12.0% |
| Loans to deposit ratio [8] | 112.6% | 115.5% | 105.9% | 114.3% |

1 Profit for the year (annualised by dividing by three and multiplying the result by four in the case of the interim periods) divided by average total assets. Average total assets is sum of the monthly total assets for the respective periods divided by 12 (in the case of annual periods) or nine (in the case of interim periods).

2 Profit for the period (annualised by dividing by three and multiplying the result by four in the case of the interim periods) divided by average equity attributable to the shareholders of the Bank. Average equity attributable to the shareholders of the Bank is the sum of the monthly equity attributable to the shareholders of the Bank for the respective periods divided by 12 (in the case of annual periods) or nine (in the case of interim periods).

3 This is the overall effective annual yield of the Bank (which is calculated as the sum of total interest income and income from Islamic financing activities (annualised by dividing by three and multiplying the result by three in the case of the interim periods) divided by average interest and profit earning assets) less the overall effective annual cost of the Bank's funds (which is calculated as the sum of total interest expense and expense towards unrestricted investment holders' share of profit (annualised by dividing by three and multiplying the result by four in the case of the interim periods) divided by average interest and profit bearing liabilities). The Bank's interest and profit earning assets are its loans and advances, investments in debt securities, including treasury bills, and due from banks and its interest and profit-bearing liabilities are its customer deposits, financial institution borrowings and medium term notes. In both cases, the average is calculated as sum of the monthly totals for the respective periods divided by 12 (in the case of annual periods) or nine (in the case of interim periods).

4 Total operating expenses divided by operating income.

[5] Stage 3 IFRS 9 loans divided by gross loans and advances (in the case of each annual period as shown in note 32.1 to the 2021 Financial Statements and note 30.1 to the 2020 Financial Statements and in the case of each interim period as shown in note 23.1 (Stage 3 IFRS loans) and note 5 (gross loans and advances) to the Interim Financial Statements).

[6] Allowance for all financial instruments and advances (in the case of each annual period as shown in note 6 to each of the Annual Financial Statements and in the case of each interim period as shown in note 5 to the Interim Financial Statements) divided by Stage 3 IFRS 9 loans

[7] Calculated in accordance with CBO regulations.

[8] Loans, advances and Islamic financing activities for customers (net) divided by customers' deposits and unrestricted investment accounts.

## RELATED PARTY TRANSACTIONS

Details of all transactions where a Board member and/or other related parties might have a potential interest are provided to the Board for their review and approval, and the interested Board member neither participates in the discussions, nor votes on such matters. On a yearly basis the details of the related party transactions are produced and submitted to the CBO and other regulatory bodies for information and proper disclosure. Details of all the related party transactions are provided to the shareholders as part of the financial statements submitted for approval at the annual general meeting along with the statement that transactions are on an arm's length and independent basis and are reasonable.

In the ordinary course of business, the Bank conducts transactions with certain of its directors and/or shareholders and companies over which they have significant interest. The aggregate amount balances with such related parties as at 30 September 2022, 31 December 2021 and 31 December 2020 are as follows.

| | As at 30 September 2022 | | | As at 31 December 2021 | | | As at 31 December 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Principal Shareholder | Others | Total | Principal Shareholder | Others | Total | Principal Shareholder | Others | Total |
| | | | | RO'000 | | | | | |
| Loans and advances | - | 152,463 | 152,463 | - | 147,445 | 147,445 | - | 121,307 | 121,307 |
| Customer's deposits | 155,563 | 81,258 | 236,821 | 106,081 | 61,386 | 167,467 | 25,117 | 55,375 | 80,492 |
| Due from banks | 988 | - | 988 | 603 | - | 603 | 218 | - | 218 |
| Due to banks | 373 | - | 373 | 260 | - | 260 | 201 | - | 201 |
| Letter of credit, guarantees and acceptance | 874 | 15,361 | 16,235 | 618 | 16,930 | 17,548 | 1,063 | 13,074 | 14,137 |
| Standby revolving credit facility | - | - | - | - | - | - | 154,000 | - | 154,000 |
| Investments | 3,083 | 541 | 3,624 | 2,453 | 598 | 3,051 | 2,272 | - | 2,272 |

| | As at 30 September 2022 | | | As at 31 December 2021 | | | As at 31 December 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Principal Shareholder | Others | Total | Principal Shareholder | Others | Total | Principal Shareholder | Others | Total |
| | | | | USD'000 | | | | | |
| Loans and advances | - | 396,008 | 396,008 | - | 382,974 | 382,974 | - | 315,083 | 315,083 |
| Customer's deposits | 404,060 | 211,060 | 615,119 | 275,535 | 159,444 | 434,979 | 65,239 | 143,831 | 209,070 |
| Due from banks | 2,566 | - | 2,566 | 1,566 | - | 1,566 | 566 | - | 566 |
| Due to banks | 969 | - | 969 | 675 | - | 675 | 522 | - | 522 |
| Letter of credit, guarantees and acceptance | 2,270 | 39,899 | 42,169 | 1,605 | 43,974 | 45,579 | 2,761 | 33,958 | 36,719 |
| Standby revolving credit facility | - | - | - | - | - | - | 400,000 | - | 400,000 |
| Investment | 8,008 | 1,405 | 9,413 | 6,371 | 1,553 | 7,924 | 5,901 | - | 5,901 |

The Bank's statement of comprehensive income includes the following amounts in relation to transactions with related parties for the nine months ended 30 September 2022 and 30 September 2021.

| | Nine months ended 30 September 2022 | | | Nine months ended 30 September 2021 | | |
|---|---|---|---|---|---|---|
| | Principal Shareholder | Others | Total | Principal Shareholder | Others | Total |
| | | | *RO'000* | | | |
| Interest income | 21 | 5,936 | 5,957 | 2 | 4,999 | 5,001 |
| Commission income | 7 | 309 | 316 | 5 | 252 | 257 |
| Interest expense | 3,513 | 1,607 | 5,120 | 843 | 873 | 1,716 |
| Other expenses | - | 892 | 892 | - | 248 | 248 |
| | | | *USD'000* | | | |
| Interest income | 55 | 1,542 | 1,547 | 5 | 12,984 | 12,990 |
| Commission income | 18 | 803 | 821 | 13 | 655 | 668 |
| Interest expense | 9,125 | 4,174 | 13,299 | 2,190 | 2,268 | 4,457 |
| Other expenses | - | 2,317 | 2,317 | - | 644 | 644 |

The Bank's statement of comprehensive income includes the following amounts in relation to transactions with related parties for the years ended 31 December 2021 and 31 December 2020.

| | As at 31 December 2021 | | | As at 31 December 2020 | | |
|---|---|---|---|---|---|---|
| | Principal Shareholder | Others | Total | Principal Shareholder | Others | Total |
| | | | *RO'000* | | | |
| Interest income | 2 | 6,807 | 6,809 | 19 | 6,813 | 6,832 |
| Commission income | 6 | 380 | 386 | 5 | 141 | 146 |
| Interest expense | 1,576 | 1,341 | 2,917 | 3,548 | 1,549 | 5,097 |
| Other expenses | - | 850 | 850 | - | 527 | 527 |
| | | | *USD'000* | | | |
| Interest income | 5 | 17,681 | 17,686 | 49 | 17,696 | 17,745 |
| Commission income | 16 | 987 | 1,003 | 13 | 366 | 379 |
| Interest expense | 4,094 | 3,483 | 7,577 | 9,216 | 4,023 | 13,239 |
| Other expenses | - | 2,208 | 2,208 | - | 1,369 | 1,369 |

The Bank's senior management compensation amounts are set out below for the years ended 31 December 2021 and 31 December 2020.

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| | *RO'000* | |
| **Salaries and other short-term benefits** | | |
| Fixed | 2,305 | 2,847 |
| Discretionary | 1,873 | 1,310 |
| **Total** | **4,178** | **4,157** |
| **Salaries and other short-term benefits** | | |
| | *USD'000* | |
| Fixed | 5,987 | 7,395 |
| Discretionary | 4,865 | 3,403 |
| **Total** | **10,852** | **10,798** |

## FINANCIAL REVIEW

*The following discussion contains an analysis of the unaudited results of operations of the Bank for the nine-month periods ended 30 September 2022 and 30 September 2021 and the audited results of operations of the Bank as at and for the years ended 31 December in each of 2021 and 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, as included elsewhere in this Prospectus.*

### Overview

The Bank was established in Oman in 1973 as a joint stock company (under registration no. 1003704) and is engaged in retail banking, wholesale banking and investment banking services.

As at 30 June 2022, the Bank was the third largest bank in Oman by total loans, representing 14.0 per cent. of the total credit and 14.1 per cent. of the total deposits of all banks in Oman (Source: CBO July 2022 Monthly Statistical Bulletin).

In 2021, the Bank achieved profit for the year of RO 30.3 million compared to RO 18.1 million in 2020. Its total assets amounted to RO 4,194.4 million as at 30 September 2022 and its total equity attributable to the shareholders of the Bank amounted to RO 464.8 million as at 30 September 2022.

Currently, the Bank is required to maintain a minimum total capital adequacy ratio of 12.25 per cent. and a tier 1 ratio of 10.25 per cent. as per the CBO's guidelines. As at 30 September 2022, the Bank's total capital adequacy ratio was 15.3 per cent. and its tier 1 capital ratio was 14.7 per cent.

As at 30 September 2022, the authorised ordinary share capital of the Bank comprised 2,000,000,000 ordinary shares of RO 0.100 each and the issued and fully paid-up ordinary share capital of the Bank comprised 1,626.0 million ordinary shares of RO 0.100 each. As at 30 September 2022, 34.9 per cent. of the Bank's issued share capital was held by Commercial Bank. The Bank operates as one of Commercial Bank's "alliance banks", enabling it to partner with other "alliance banks" on specific cross-border/international transactions (see "*Description of National Bank of Oman SAOG – Capital Structure – Commercial Bank*").

A discussion of the Bank's significant accounting policies is provided at Note 3 to the 2021 Financial Statements.

### Significant Factors Affecting Results of Operations

The Bank's revenues and results of operations during the years ended 31 December 2021 and 31 December 2020 were affected by the following factors:

- ***Marginal growth in Net Interest Income ("NII")***

  Notwithstanding a 7.0 per cent. increase in loan volumes during 2021, the Bank's NII grew by 0.7 per cent., indicating margin compression. The yield on loans decreased from 5.2 per cent. in 2020 to 5.0 per cent. in 2021 due both to new high quality borrowings at lower yields and a reduction in LIBOR. The Bank's overall funding cost decreased from 2.6 per cent. in 2020 to 2.5 per cent. in 2021, primarily due to the lower cost of institutional borrowing due to the reduction in LIBOR. As a result of the above, the Bank's NII during 2021 was RO 91.6 million compared to RO 90.9 million in 2020.

- ***Growth in fee income due to rebound in economic activity***

  During 2021, economic conditions improved following the adverse impact of COVID-19 in 2020. The Government adopted a phased relaxation of the lockdowns as the COVID-19 situation started to improve in the latter part of 2021, which enabled a rebound of economic activity. As a result, the Bank's aggregate net fees and commission income and other operating income increased by 21.9 per cent. from RO 26.1 million in 2020 to RO 31.8 million in 2021.

- ***Improvement in cost to income ratio***

  The Bank's total operating expenses, which comprise staff cost, other operating expenses and depreciation, fell by 0.5 per cent. in 2021 compared to 2020. Coupled with the improvement in the Bank's income driven by its improved NII and new fees and commission income, the Bank's cost to income ratio improved from 54.6 per cent. in 2020 to 51.5 per cent. in 2021.

- ***Lower loan impairment***

  In 2021, the Bank's net loan impairment reduced from RO 31.3 million to RO 24.0 million because of recalibration of expected credit loss parameters and due to higher additional overlays created for Stage 1 and 2 exposures and certain Stage 3 exposures in 2020. These factors are described in "*Results of operations for the years ended 31 December 2020 and 31 December 2021 - Total impairment losses (net)*".

***Central Bank of Oman regulatory guidelines***

In 2020, the CBO issued various guidelines to address the ongoing stress in the economic environment caused by the COVID-19 pandemic and the restrictions put in place to combat it. These guidelines included offering deferrals on loans to corporate and retail customers who were affected by the COVID-19 pandemic. The deferral period ended on 30 September 2021. 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.

In order to ease the cash flow mismatch from cash inflows in respect of deferred loans becoming prolonged with no change in obligatory cash outflows, the CBO relaxed certain regulatory ratios, including:

- an increase in lending ratio requirements from 87.5 per cent. to 92.5 per cent. (which remains in force);
- a reduction in LCR requirement to 70 per cent. although this ended in March 2021 and, in accordance with the CBO circular dated 15 March 2021, in the case of a genuine liquidity stress being faced by a bank, the CBO may consider allowing, on a case-by-case basis, the bank concerned to temporarily operate below the minimum LCR requirement of 100%, but not less than a minimum LCR of 75%;
- a reduction in the capital adequacy requirement from 13.5 per cent. to 12.25 per cent. (which remains in force);
- a reduction in the repo rate to 0.5 per cent.; and
- an increase in the investment limit in Oman Government development bonds from 45 per cent. to 50 per cent and then to 60% (55% in RO and 5% in USD).

***Results of operations for the nine months ended 30 September 2022 and 30 September 2021***

***Operating income***

The following table sets out the principal components of the Bank's operating income for each period indicated.

| | **Nine months ended 30 September** | | **Percentage change** |
|---|---|---|---|
| | **2022** | **2021** | **22/21** |
| | *RO'000* | | *%* |
| Interest income | 131,725 | 123,531 | 6.6 |
| Interest expense | (61,579) | (59,013) | 4.3 |
| **Net interest income** | **70,146** | **64,518** | **8.7** |
| Income from Islamic financing and investment activities | 7,920 | 7,279 | 8.8 |

| | Nine months ended 30 September | | Percentage change |
|---|---|---|---|
| | 2022 | 2021 | 22/21 |
| | RO'000 | | % |
| Less: unrestricted investment account holders' share of profit........ | (3,769) | (3,999) | (5.8) |
| **Net income from Islamic financing and investment activities**... | **4,151** | **3,280** | 26.6 |
| **Net interest income and net income from Islamic financing and investment activities**................................................................. | **74,297** | **67,798** | 9.6 |
| Fee and commission income (net)................................................ | 15,740 | 14,415 | 9.2 |
| Other operating income................................................................. | 11,929 | 9,826 | 21.4 |
| **Total other operating income** ..................................................... | **27,669** | **24,241** | 14.1 |
| **OPERATING INCOME**............................................................. | **101,966** | **92,039** | 10.8 |

The Bank's total operating income increased by 10.8 per cent. to RO 102.0 million for the nine-month period ended 30 September 2022 compared to RO 92.0 million for the corresponding period in 2021. This increase reflected increases in all categories of operating income as described below.

*Interest income*

The Bank's interest income increased by 6.6 per cent. to RO 131.7 million for the nine-month period ended 30 September 2022 compared to RO 123.5 million for the corresponding period in 2021. This increase was principally driven by growth in net loans and advances by 5.5 per cent.

*Interest expense*

The Bank's interest expense increased by 4.3 per cent. to RO 61.6 million for the nine-month period ended 30 September 2022 from RO 59.0 million for the corresponding period in 2021. This increase was principally a result of an increase in customer deposits by 3.3 per cent.

*Net income from Islamic financing and investment activities*

The Bank's net income from Islamic financing and investment activities increased by 26.6 per cent. to RO 4.2 million for the nine-month period ended 30 September 2022 compared to RO 3.3 million for the corresponding period in 2021. This increase was principally a result of an increase in Islamic financing and investing activities.

*Fee and commission income (net)*

The Bank's fee and commission income (net) increased by 9.2 per cent. to RO 15.7 million for the nine-month period ended 30 September 2022 compared to RO 14.4 million for the corresponding period in 2021. This increase principally reflected an increase in trade related commission income.

*Other operating income*

The Bank's other operating income increased by 21.4 per cent. to RO 11.9 million for the nine-month period ended 30 September 2022 compared to RO 9.8 million for the corresponding period in 2021. This increase was principally a result of a gain on disposal of certain investments held by the Bank and higher dividend income partially offset by lower net gains from foreign exchange transactions and other income earned by the Bank.

***Operating expenses***

The following table sets out the principal components of the Bank's total operating expenses for each period indicated.

| | Nine months ended 30 September | | Percentage change |
|---|---|---|---|
| | 2022 | 2021 | 22/21 |
| | RO'000 | | % |
| Staff costs.................................................................................. | 26,604 | 28,090 | (5.3) |
| Other operating expenses .......................................................... | 12,948 | 13,689 | (5.4) |

| | Nine months ended 30 September | | Percentage change |
|---|---|---|---|
| | **2022** | **2021** | **22/21** |
| | *RO'000* | | *%* |
| Depreciation | 4,397 | 4,643 | (5.3) |
| **Total operating expenses** | **43,949** | **46,422** | (5.3) |

The Bank's total operating expenses decreased by 5.3 per cent. to RO 43.9 million for the nine-month period ended 30 September 2022 compared to RO 46.4 million for the corresponding period in 2021. This decrease reflected decreases in all items of operating expense as described below.

*Staff costs*

The Bank's staff costs decreased by 5.3 per cent. to RO 26.6 million for the nine-month period ended 30 September 2022 compared to RO 28.1 million for the corresponding period in 2021. This decrease was principally a result of efficiency savings and a reduction in headcount partially offset by an increase in staff-related contribution to social schemes.

*Other operating expenses*

The Bank's other operating expenses decreased by 5.4 per cent. to RO 12.9 million for the nine-month period ended 30 September 2022 compared to RO 13.7 million for the corresponding period in 2021. This decrease was principally a result of efficiency savings and cost optimisation and was partially offset by increase in digital spending.

*Depreciation*

The Bank's depreciation decreased by 5.3 per cent. to RO 4.4 million for the nine-month period ended 30 September 2022 compared to RO 4.6 million for the corresponding period in 2021. This decrease was principally a result of increased capitalisation of digital assets and leasehold improvements.

**Total impairment losses on financial instruments (net)**

The following table sets out the principal components of the Bank's net total impairment losses for each period indicated.

| | Nine months ended 30 September | | Percentage change |
|---|---|---|---|
| | **2022** | **2021** | **22/21** |
| | *RO'000* | | *%* |
| **(Impairment)/reversal of allowances for credit losses**: | | | |
| Due from banks | 70 | 2 | 3,400.0 |
| Loans and advances to customers | (20,823) | (20,861) | (0.2) |
| Investments | 39 | (232) | - |
| Financial guarantees | 526 | (10) | - |
| **Total** | **(20,188)** | **(21,101)** | (4.3) |
| **Recoveries and releases from**: | | | |
| Provisions for credit losses | 824 | 1,329 | 38.0 |
| Loans and advances written off | 3,557 | 1,942 | 83.2 |
| **Total** | **4,381** | **3,271** | 33.9 |
| **Net impairment losses** | **(15,807)** | **(17,830)** | 11.3 |

The Bank's net impairment losses in the nine months ended 30 September 2022 were RO 15.8 million compared to RO 17.8 million for the corresponding period in 2021. The RO 2.0 million, or 11.3 per cent., decrease in the net impairment losses was due to higher provisions taken in the 2021 period due to uncertainties over asset quality as well as higher recoveries from loans and advances in the 2022 period compared to the 2021 period. In the period 2022, the lower provisions and higher recoveries reflected improved economic activity and healthier macro-economic factors. Nevertheless, the Bank continues to be cautious with its model assumptions and continue to make impairment charges in the form of management overlays for the nine months ended 30 September 2022.

*Profit for the period*

Reflecting the above factors, the Bank's profit for the nine-month period ended 30 September 2022 amounted to RO 35.5 million compared to RO 23.5 million for the corresponding period in 2021, an increase of 51.2 per cent.

### Total comprehensive income for the period

The following table sets out the principal components of the Bank's total comprehensive income for each period indicated.

| | Nine months ended 30 September | | Percentage change |
|---|---|---|---|
| | 2022 | 2021 | 22/21 |
| | *RO'000* | | *%* |
| Profit for the period | 35,531 | 23,504 | 51.2 |
| Other comprehensive (expense)/income for the period | (74) | 2,542 | - |
| **Total comprehensive income for the period** | **35,457** | **26,046** | 36.1 |

The Bank's total comprehensive income for the period increased by 36.1 per cent. to RO 35.5 million for the nine-month period ended 30 September 2022 compared to RO 26.0 million for the corresponding period in 2021. This increase reflected the Bank's increased profit in the 2022 period offset by lower comprehensive income when compared to the 2021 period, which was principally due to negative changes in the fair value of the Bank's equity investments held at FVOCI.

### Results of operations for 2021 and 2020

*Operating income*

The following table sets out the principal components of the Bank's operating income for each year indicated.

| | 2021 | 2020 | Percentage change 21/20 |
|---|---|---|---|
| | *RO'000* | | *%* |
| Interest income | 165,588 | 163,191 | 1.5 |
| Interest expense | (78,560) | (76,297) | 3.0 |
| **Net interest income** | **87,028** | **86,894** | 0.2 |
| Income from Islamic financing and Investment activities | 9,728 | 8,935 | 8.9 |
| Less: unrestricted investment account holders' share of profit | (5,174) | (4,925) | 5.1 |
| **Net income from Islamic financing and investment activities** | **4,554** | **4,010** | 13.6 |
| **Net interest income and net income from Islamic financing and investment activities** | **91,582** | **90,904** | 0.7 |
| Fee and commission income (net) | 18,861 | 12,940 | 45.8 |
| Other operating income | 12,908 | 13,119 | (1.6) |
| **Total other operating income** | **31,769** | **26,059** | 21.9 |
| **OPERATING INCOME** | **123,351** | **116,963** | 5.5 |

The Bank's total operating income increased by 5.5 per cent. to RO 123.35 million in 2021 compared to RO 116.96 million in 2020.

The RO 6.4 million increase in 2021 compared to 2020 was principally the result of an RO 5.9 million increase in net fee and commission income and an RO 0.5 million increase in net income from Islamic financing and investment activities. These increases principally reflected improved economic conditions which resulted in increased usage of the Bank's Islamic financing and investment products and an increase in customers' fee generating activities coupled with the restrictions on fee charging by Banks imposed for part of 2020 being released.

*Interest income*

The Bank's interest income increased by RO 2.4 million, or 1.5 per cent., to RO 165.59 million in 2021 compared to RO 163.19 million in 2020. This reflected 6.4 per cent. growth in the Bank's gross loan book in 2021 which was partially offset by a decline in rates attributable to lower US benchmark rates.

The Bank's overall effective annual yield on its loan portfolio was 5.0 per cent. in 2021 compared to 5.2 per cent. in 2020.

*Interest expense*

The Bank's interest expense increased by RO 2.3 million, or 3.0 per cent., to RO 78.6 million in 2021 from RO 76.3 million in 2020. In 2021, the average overall effective annual cost of the Bank's funds was 2.50 per cent. compared to 2.62 per cent. in 2020. This decrease in the Bank's cost of funds was principally a result of an increased share of low cost current deposits and savings ("**CASA**") deposits. As at 31 December 2021, the CASA deposits constitutes 66.5 per cent. of the Bank's deposits compared to 60.8 per cent. as at 31 December 2020.

*Net income from Islamic financing and investment activities*

The Bank's net income from Islamic financing and investment activities increased by RO 0.5 million, or 13.6 per cent., to RO 4.6 million in 2021 compared to RO 4.0 million in 2020. This increase was principally a result of a 6.3 per cent. increase in the Bank's Islamic banking financing book.

*Fee and commission income (net)*

The Bank's fee and commission income (net) increased by 45.8 per cent. to RO 18.9 million in 2021 compared to RO 12.9 million in 2020. The increase primarily reflected increased economic activity compared to the previous year.

***Operating expenses***

The following table sets out the principal components of the Bank's total operating expenses for each year indicated.

| | 2021 | 2020 | Percentage change 21/20 |
|---|---|---|---|
| | *RO'000* | | *%* |
| Staff costs | 38,885 | 38,539 | 0.9 |
| Other operating expenses | 18,469 | 18,814 | (1.8) |
| Depreciation | 6,144 | 6,473 | (5.1) |
| **Total operating expenses** | **63,498** | **63,826** | (0.5) |

The Bank's total operating expenses decreased by RO 0.3 million, or 0.5 per cent., to RO 63.5 million in 2021 compared to RO 63.8 million in 2020. This decrease was principally a result of lower depreciation and other operating expenses, offset by an increase in staff costs.

*Staff costs*

The Bank's staff costs increased by RO 0.3 million, or 0.9 per cent., to RO 38.9 million in 2021 compared to RO 38.5 million in 2020, principally as a result of an increase in staff-related expenses and contribution to social insurance schemes partially offset by a reduction in salary cost in 2021 compared to 2020.

*Other operating expenses*

The Bank's other operating expenses decreased by RO 0.3 million, or 1.8 per cent., to RO 18.5 million in 2021 compared to RO 18.8 million in 2020. This was principally as a result of costs returning to normal standards in 2021 after certain one off costs incurred in 2020 towards specific government contributions and internal measures in tackling pandemic situation.

*Depreciation*

The Bank's depreciation decreased by RO 0.3 million, or 5.1 per cent., to RO 6.1 million in 2021 compared to RO 6.5 million in 2020. This decrease principally reflected a reduction in the written down value of the Bank's assets across all categories of fixed assets in 2021 compared to 2020.

**Total impairment losses on financial instruments (net)**

The following table sets out the principal components of the Bank's net total impairment losses for each year indicated.

| | 2021 | 2020 | Percentage change 21/20 |
|---|---|---|---|
| | *RO'000* | | *%* |
| (Impairment)/reversal of allowances for credit losses | | | |
| Due from banks | 1 | 384 | (99.7) |
| Loans and advances to customers | (29,193) | (39,741) | (26.5) |
| Investments | (155) | 189 | NM |
| Financial guarantees | 234 | 3,176 | (92.6) |
| **Total** | **(29,113)** | **(35,992)** | (19.1) |
| Recoveries and releases from provision for credit losses | 1,550 | 2,412 | (35.7) |
| Recoveries and releases from loans and advances written off | 3,578 | 2,251 | 59.0 |
| **Total** | **5,128** | **4,663** | 10.0 |
| **Net impairment losses** | **(23,985)** | **(31,329)** | (23.4) |

The Bank's net impairment losses in 2021 were RO 24.0 million compared to RO 31.3 million in 2020. The RO 7.3 million, or 23.4 per cent. decrease in the net impairment losses principally reflected an RO 10.5 million, or 26.5 per cent., lower impairment charge for credit losses on loans and advances to customers. In 2020, the provisioning was driven by a conservative approach due to the start of pandemic which led to higher impairment charges in the form of management overlays in addition to the statutory requirement. The improvement in economic activities in 2021 resulted in a changed outlook on credit quality, which resulted in less provisioning compared to 2020. This was offset by RO 3.7 million lower net reversals of allowances for credit losses on due to banks, investments and financial guarantees in 2021 compared to 2020 and RO 0.5 million higher recoveries in 2021 compared to 2020. In addition to the provisions under IFRS 9, the Bank had provided for additional management overlays because of economic stress and collective provisions for restructuring, in the light of loan deferrals sought by customers.

The following table sets out the Bank's stagewise ECL balances as at 31 December 2021 and 31 December 2020.

| | As at 31 December 2021 | | As at 31 December 2020 | |
|---|---|---|---|---|
| | *RO'000* | *USD'000* | *RO'000* | *USD'000* |
| Stage 1 | 10,337 | 26,849 | 13,155 | 34,168 |
| Stage 2 | 34,644 | 89,984 | 33,566 | 87,185 |
| Stage 3 | 109,437 | 284,253 | 112,426 | 292,016 |
| | **154,418** | **401,086** | **159,147** | 413,369 |

*Impairment for credit losses on loans and advances to customers*

The movements in the Bank's impairment for credit losses on loans and advances to customers in each year are explained above.

*Recoveries and releases from provision for credit losses*

The Bank's recoveries and releases from provisions for credit losses decreased by RO 0.9 million, or 35.7 per cent., to RO 1.6 million in 2021 compared to RO 2.4 million in 2020. This variance represents fewer corporate recoveries in 2021 compared to 2020.

*Recoveries and releases from loans and advances written off*

The Bank's recoveries and releases from loans and advances written off increased by RO 1.3 million, or 59.0 per cent., to RO 3.6 million in 2021 compared to RO 2.2 million in 2020. This reflected a combination of continuous monitoring and collection actions, especially in retail segment, which resulted in better turnaround of exposures in 2021 compared to 2020.

***Profit for the year***

Reflecting all the above factors, the Bank's profit for the year for 2021 amounted to RO 30.3 million compared to RO 18.1 million in 2020, an increase of RO 12.1 million, or 66.8 per cent.

**Total comprehensive income for the year**

The following table sets out the principal components of the Bank's total comprehensive income for each year indicated.

| | 2021 | 2020 | Percentage change 21/20 |
|---|---|---|---|
| | *RO'000* | | *%* |
| Profit for the year | 30,277 | 18,148 | 66.8 |
| Other comprehensive income/(expense) for the year | 3,770 | (3,191) | NM |
| **Total comprehensive income for the year** | **34,047** | **14,957** | 127.6 |

The Bank's total comprehensive income in 2021 increased by RO 18.6 million, or 120.6 per cent., to RO 34.0 million compared to RO 15.0 million in 2020. This increase reflected the Bank's RO12.1 million increase in profit and an RO 7 million positive change in other comprehensive income from other comprehensive expense of RO 3.2 million in 2020 to other comprehensive income of RO 3.8 million in 2021, which was driven by changes in fair value of the Bank's equity investments held at FVOCI.

**Segmental results for 2021 and 2020**

For management purposes, the Bank is organised into multiple operating segments based on business units, which are as follows:

- **Retail banking** - offers various products and facilities to individual retail and high net worth customers to meet everyday banking needs. This includes asset products like personal loans, housing loans, credit cards and term loans and liability products like savings accounts, current accounts and term deposits.

- **Wholesale banking** - delivers a variety of products and services to corporate, government and financial institution customers that include lending, accepting deposits, trade finance, treasury and foreign exchange. It also includes investment banking which offers investment products such as asset management, corporate advisory and brokerage services to retail customers and institutional clients.

- **International operations** - include UAE and Egypt operations.

- **Islamic banking** - offers products that are in accordance with *Shari'a* principles.

- **Funding centre** – is responsible for balancing and managing the liquidity of funds within the Bank. It acts as repository of funds by allocating funds transfer pricing to various business units for performance management purposes. The department also handles the Bank's investments in securities, asset/liability management and cash instruments.

Management monitors the operating results of these segments separately for the purpose of making decisions about resource allocation and performance assessment. The costs incurred by the central functions are managed on a group basis and are not allocated to operating segments.

Set out below is a summary of certain financial information in relation to each operating segment for the years ended 31 December 2021 and 31 December 2020.

| Year ended 31 December 2021 | Retail banking | Wholesale banking | Internationa l banking | Islamic banking | Fundin g centre | Total |
|---|---|---|---|---|---|---|
| | | | *RO'000* | | | |
| Net Interest income and net income from Islamic financing and investment activities | 45,043 | 58,683 | 2,155 | 4,554 | (18,853) | 91,582 |
| Other income | 12,786 | 17,089 | 1,511 | 383 | | 31,769 |
| **Operating income** | **57,829** | **75,772** | **3,666** | **4,937** | **(18,853)** | **123,351** |
| Operating expenditure | (37,517) | (18,086) | (4,238) | (3,649) | (8) | (63,498) |
| **Operating profit/(loss)** | **20,312** | **57,686** | **(572)** | **1,288** | **(18,861)** | **59,853** |
| Loan impairment (losses)/reversal | (100) | (23,541) | 174 | (618) | 100 | (23,985) |
| **Net profit/(loss) before tax** | **20,212** | **34,145** | **(398)** | **670** | **(18,761)** | **35,868** |
| Taxation | (3,072) | (5,189) | (181) | -- | 2,851 | (5,591) |
| **Net profit/(loss) after tax** | **17,140** | **28,956** | **(579)** | **670** | **(15,910)** | **30,277** |

| Year ended 31 December 2020 | Retail banking | Wholesale banking | Internationa l banking | Islamic banking | Fundin g centre | Total |
|---|---|---|---|---|---|---|
| | | | *RO'000* | | | |
| Net Interest income and net income from Islamic financing and investment activities | 46,924 | 49,783 | 2,034 | 4,010 | (11,847) | 90,904 |
| Other income | 10,722 | 14,145 | 793 | 399 | - | 26,059 |
| **Operating income** | **57,646** | **63,928** | **2,827** | **4,409** | **(11,847)** | **116,963** |
| Operating expenditure | (37,962) | (17,189) | (5,079) | (3,544) | (52) | (63,826) |
| **Operating profit/(loss)** | **19,684** | **46,739** | **(2,252)** | **865** | **(11,899)** | **53,137** |
| Loan impairment (losses)/reversal | (4,794) | (24,430) | (396) | (1,622) | 93 | (31,329) |
| **Net profit/(loss) before tax** | **14,710** | **22,309** | **(2,648)** | **(757)** | **(11,806)** | **21,808** |
| Taxation | (1,516) | (2,300) | (1,061) | - | 1,217 | (3,660) |
| **Net profit/(loss) after tax** | **13,194** | **20,009** | **(3,709)** | **(757)** | **(10,589)** | **18,148** |

### *Retail banking*

Retail banking's operating income amounted to RO 57.8 million in 2021 compared to RO 57.6 million, in 2020, an increase of RO 0.2 million, or 0.3 per cent.

Retail banking's net profit before tax amounted to RO 20.2 million in 2021 compared to RO 14.7 million in 2020, an increase of RO 5.5 million, or 37.4 per cent. This increase principally reflected higher loan impairment losses in 2020 associated with the weaker economic conditions due to the restrictions imposed to combat the COVID-19 pandemic.

### *Wholesale banking*

Wholesale banking's operating income amounted to RO 75.8 million in 2021 compared to RO 63.9 million, in 2020, an increase of RO 11.8 million, or 18.5 per cent. This increase reflected higher net interest income and net income from Islamic financing and investment activities coupled with higher other income in 2021 compared to 2020 as the wholesale banking business recovered from the weaker market conditions in 2020.

Wholesale banking's net profit before tax amounted to RO 34.1 million in 2021 compared to RO 22.3 million in 2020, an increase of RO 11.8 million, or 53.1 per cent. This increase principally reflected the higher operating income recorded in 2021.

### *International banking*

International banking's operating income amounted to RO 3.7 million in 2021 compared to RO 2.8 million, in 2020, an increase of RO 0.8 million, or 29.7 per cent. This increase mainly reflected higher other income driven by higher income from both the UAE and Egypt operations.

International banking's net loss before tax amounted to RO 0.4 million in 2021 compared to RO 2.6 million in 2020, a reduction in net loss of RO 2.3 million, or 85.0 per cent. This reduction reflected a combination of higher operating income and low expenditures in 2021 compared to 2020.

*Islamic banking*

Islamic banking's operating income amounted to RO 4.9 million in 2021 compared to RO 4.4 million, in 2020, an increase of RO 0.5 million, or 12.0 per cent. This increase principally reflected higher net income from Islamic financing and investment activities driven by growth in financing activities.

Islamic banking's net profit before tax amounted to RO 0.7 million in 2021 compared to a net loss before tax of RO 0.8 million in 2020. This change principally reflected higher loan impairment losses in 2021 than in 2020.

*Funding Center*

Funding center's operating expenses amounted to RO 18.9 million in 2021 compared to operating expense of RO 11.8 million, in 2020, an increase in operating expense of RO 7.0 million, or 59.1 per cent. This increase principally reflected the movement in internal funds transfer pricing between the businesses and funding center.

Reflecting the increase in operating expense described above, Funding center's net loss before tax amounted to RO 18.7 million in 2021 compared to a net loss of RO 11.8 million in 2020.

**Financial condition as at 30 September 2022 and as at 31 December in each of 2021 and 2020**

The following table sets out a breakdown of the principal components of the Bank's total assets as at the relevant dates.

| | As at 30 September | As at 31 December | | Percentage change | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 22/21[(1)] | 21/20 |
| | | *RO'000* | | % | |
| Cash and balances with central banks | 211,027 | 307,870 | 216,126 | (31.5) | 42.4 |
| Due from banks and other money market placements (net) | 163,649 | 114,685 | 94,716 | 42.7 | 21.1 |
| Loans, advances and Islamic financing assets (net) | 3,257,607 | 3,088,646 | 2,887,862 | 5.5 | 7.0 |
| Financial investments (net) | 409,416 | 447,178 | 318,534 | (8.4) | 40.4 |
| Property and equipment | 57,595 | 59,892 | 62,568 | (3.8) | (4.3) |
| Other assets | 95,128 | 62,796 | 52,845 | 51.5 | 18.8 |
| **Total assets** | **4,194,422** | **4,081,067** | **3,632,651** | **2.8** | **12.3** |

(1) 30 September 2022 compared to 31 December 2021.

As at 30 September 2022, the Bank's total assets increased by RO 113.4 million, or 2.8 per cent., to RO 4,194.4 million compared to RO 4,081.1 million as at 31 December 2021. This increase principally reflected an RO 169.0 million increase in loans and advances to customers (net) coupled with smaller increases in due from banks and other money market placements (net) and other assets, partially offset by an RO 96.8 million decrease in in cash and balances with central banks coupled with smaller decreases in financial investments (net) and property and equipment.

As at 31 December 2021, the Bank's total assets increased by RO 448.4 million, or 12.3 per cent., to RO 4,081.1 million compared to RO 3,632.7 million as at 31 December 2020. This increase principally reflected an RO 200.8 million increase in loans and advances to customers (net), an RO 128.6 million increase in financial investments and an RO 91.7 million increase in cash and balances with central banks.

*Cash and balances with Central Banks*

As at 30 September 2022, the Bank's cash and balances with central banks decreased by RO 96.8 million, or 31.5 per cent., to RO 211.0 million compared to RO 307.9 million as at 31 December 2021. This decrease was primarily a result of utilisation of such funds towards loan growth. At current levels, the Bank's balance with Central Banks is well above the regulatory reserve requirement.

As at 31 December 2021, the Bank's cash and balances with central banks amounted to RO 307.9 million compared to RO 216.1 million as at 31 December 2020, an increase of RO 91.7 million, or 42.4 per cent.

This increase principally reflected the Bank's conservative approach in maintaining higher levels of liquid assets in order to strengthen the liquidity ratios.

***Due from banks and other money market placements (net)***

Amounts due from banks and other money market placements (net) increased by RO 49.0 million, or 42.7 per cent., to RO 163.6 million as at 30 September 2022 compared to RO 114.7 million as at 31 December 2021. This increase was primarily a result of increase in short term bank placements as the yields on money market placements have increased since the beginning of the year.

Amounts due from banks and other money market placements (net) increased by RO 20.0 million, or 21.1 per cent. to RO 114.7 million as at 31 December 2021 compared to RO 94.7 million as at 31 December 2020. This increase principally reflected restored activity in the money market segment combined with the availability of liquidity.

***Loans and advances to customers (net)***

As at 30 September 2022, the Bank's loans and advances to customers (net) amounted to RO 3,257.6 million compared to RO 3,088.6 million as at 31 December 2021, an increase of RO 169.0 million, or 5.5 per cent. This increase was primarily a result of an increase in corporate loans under the government lending segment.

As at 31 December 2021, the Bank's loans and advances to customers (net) amounted to RO 3,088.6 million as compared to RO 2,887.9 million as at 31 December 2020, an increase of RO 200.8 million, or 7.0 per cent. This increase was primarily a result of increases in corporate loans, particularly to the service sector.

*Types of loans, advances and activities*

The following table sets out a breakdown of the type of the Bank's loans, advances and activities as at the relevant dates.

| | As at 30 September | As at 31 December | | Percentage change | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 22/21[1] | 21/20 |
| | | RO'000 | | % | |
| Overdrafts | 81,722 | 70,163 | 93,793 | 16.5 | (25.2) |
| Personal loans | 1,438,990 | 1,409,784 | 1,396,881 | 2.1 | 0.9 |
| Loans against trust receipts | 72,058 | 80,547 | 74,865 | (10.5) | 7.6 |
| Bills discounted | 12,001 | 16,576 | 9,882 | (27.6) | 67.7 |
| Other loans | 1,825,136 | 1,662,819 | 1,468,333 | 9.8 | 13.2 |
| **Gross loans, advances and financing activities for customers** | **3,429,907** | **3,239,889** | **3,043,754** | 5.9 | 6.4 |
| Allowance for credit losses | (172,300) | (151,243) | (155,892) | 13.9 | (3.0) |
| **Net loans and advances** | **3,257,607** | **3,088,646** | **2,887,862** | 5.5 | 7.0 |

(1) 30 September 2022 compared to 31 December 2021.

*Loans, advances and financing activities by sector*

The Bank has a diversified portfolio of loans, advances and financing activities to retail, corporate customers across a range of economic sectors on both a conventional and an Islamic basis. The following table sets out the Bank's gross loans and advances by sector as at the relevant dates.

| | As at 30 September 2022 | | As at 31 December | | | |
|---|---|---|---|---|---|---|
| | | | 2021 | | 2020 | |
| | *RO'000* | *% share* | *RO'000* | *% share* | *RO'000* | *% share* |
| Personal | 1,438,876 | 42.0 | 1,409,784 | 43.5 | 1,396,881 | 45.9 |
| Service | 313,442 | 9.1 | 315,876 | 9.7 | 238,258 | 7.8 |
| Financial institutions | 221,969 | 6.5 | 231,475 | 7.1 | 222,007 | 7.3 |
| Manufacturing | 180,733 | 5.3 | 200,780 | 6.2 | 192,946 | 6.3 |
| Electricity, gas and water | 174,277 | 5.1 | 185,348 | 5.7 | 185,438 | 6.1 |
| Transport and communication | 207,511 | 6.1 | 178,076 | 5.5 | 184,470 | 6.1 |
| Wholesale and retail trade | 156,941 | 4.6 | 177,002 | 5.5 | 143,682 | 4.7 |
| Construction | 165,328 | 4.8 | 153,957 | 4.8 | 149,694 | 4.9 |
| Mining and quarrying | 131,350 | 3.8 | 123,683 | 3.8 | 96,460 | 3.2 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Import trade | 93,429 | 2.7 | 91,540 | 2.8 | 76,859 | 2.5 |
| Others | 82,640 | 2.4 | 86,968 | 2.7 | 97,161 | 3.2 |
| Government | 254,933 | 7.4 | 78,875 | 2.4 | 55,236 | 1.8 |
| Agriculture | 8,478 | 0.2 | 6,525 | 0.2 | 4,662 | 0.2 |
| **Total gross loans** | **3,429,907** | **100.0** | **3,239,889** | **100.0** | **3,043,754** | **100.0** |

*Impairment of financial assets*

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments. The Bank 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 as 12-month ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

*Measurement of ECL*

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

For a discussion of an overview of the ECL principles applied by the Bank under IFRS 9 the calculation of ECL, see notes 3.6.2 and 3.6.3 to the 2021 Financial Statements.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- *debt instruments measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

*Debt instruments measured at FVOCI*

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

*Credit cards and other revolving facilities*

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECLs for these products, is five years for corporate and seven years for retail products.

*Restructured financial assets*

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made as to whether the financial asset should be derecognised and ECL are measured as follows:

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and

- if the expected restructuring will result in derecognition of the existing asset, then the expected amortised fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

An analysis of the credit quality of the Bank's loans and advances is set out below as at the relevant dates:

| | Stage 1 | Stage 2 | Stage 3 | Gross loans |
|---|---|---|---|---|
| Balance as at 30 September 2022 – RO'000's........................ | 2,703,688 | 534,345 | 191,874 | 3,429,907 |
| Balance as at 31 December 2021 – RO'000's ........................ | 2,482,126 | 586,363 | 171,400 | 3,239,889 |
| Balance as at 31 December 2020 – RO'000's ........................ | 2,253,382 | 621,396 | 168,976 | 3,043,754 |

An ageing analysis of the Bank's loans and advances to customers (net) which are past due but not impaired is set out below as at the relevant dates:

| Performing loans (neither past due nor impaired) | Loans in arrears 1-30 days | Loans in arrears 31-60 days | Loans in arrears 61-89 days | Total |
|---|---|---|---|---|
| Balance as at 30 September 2022 – RO'000's........................ | 74,240 | 33,326 | 13,749 | 121,315 |
| Balance as at 31 December 2021 – RO'000's ........................ | 67,145 | 6,142 | 8,160 | 81,447 |
| Balance as at 31 December 2020 – RO'000's ........................ | 57,435 | 6,914 | 4,943 | 69,292 |

*Credit risk mitigation*

The Bank manages, limits and controls concentrations of credit risk, in particular with respect to individual counterparties and groups, as well as industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to each borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Credit Committee and Board Risk and Compliance Committee ("**BRCC**").

Management is confident that the Bank has suitable policies to measure and control the credit risk, however, risks may arise from adverse changes in the credit quality and recoverability of loans and amounts due from counterparties. See "*Risk Factors – Risks Relating to the Bank – Commercial and Market risks - Credit risk*". In addition, credit risk is mitigated through collateral in the form of mortgages and guarantees wherever required.

The following table sets out an analysis of the credit quality of the Bank's loan and advances.

| | **Stage 1** | **Stage 2** | **Stage 3** | **Gross loans** |
|---|---|---|---|---|
| Balance as at 31 December 2021 – RO'000's ........................ | 2,482,126 | 586,363 | 171,400 | 3,239,889 |
| Balance as at 31 December 2021 – U.S.$'000s...................... | 6,447,082 | 1,523,021 | 445,194 | 8,415,296 |
| Balance as at 31 December 2020 – RO'000's ........................ | 2,253,382 | 621,396 | 168,976 | 3,043,754 |
| Balance as at 31 December 2020 – U.S.$'000s...................... | 5,852,939 | 1,614,016 | 438,899 | 7,905,854 |

An ageing analysis of the Bank's loans and advances to customers (net) which are past due but not impaired are set out below. The information does not include the instalments that are currently under deferral schemes as these instalments will not be counted as in arrears during their deferral period.

| **Performing loans (neither past due nor impaired)** | **Loans in arrears 1-30 days** | **Loans in arrears 31-60 days** | **Loans in arrears 61-89 days** | **Total** |
|---|---|---|---|---|
| Balance as at 31 December 2021 – RO'000's ........................... | 67,145 | 6,142 | 8,160 | 81,447 |
| Balance as at 31 December 2021 – U.S.$'000s......................... | 174,403 | 15,953 | 21,195 | 211,551 |
| Balance as at 31 December 2020 – RO'000's ........................... | 57,435 | 6,914 | 4,943 | 69,292 |
| Balance as at 31 December 2020 – U.S.$'000s......................... | 149,182 | 17,958 | 12,839 | 179,979 |

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is the common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- charges over business assets such as premises, inventory and accounts receivable;
- lien on fixed deposits;
- cash margins;
- mortgages over residential and commercial properties; and
- pledge of marketable shares and securities.

The Bank's retail housing loans are secured by a mortgage over the residential property. The Bank's management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The following table sets out the Bank's collateral and other credit enhancement held against loans and advances granted as at 31 December 2021 and 31 December 2020.

| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| | | *RO'000* | | |
| Collateral available............................................................... | 1,808,222 | 78,868 | 58,879 | 1,945,969 |
| Government guarantee loans ................................................ | 38,500 | - | 2,676 | 41,176 |
| **Balance as at 31 December 2021** ....................................... | **1,846,722** | **78,868** | **61,555** | **1,987,145** |
| **Balance as at 31 December 2021 – USD'000s** ................... | **4,796,681** | **204,852** | **159,883** | **5,161,416** |
| Balance as at 31 December 2020.......................................... | 1,903,620 | 63,469 | 57,091 | 2,024,180 |
| Balance as at 31 December 2020 – USD'000s...................... | 4,944,467 | 164,855 | 148,288 | 5,257,610 |

A discussion of the Bank's key credit risks is provided at "*Description of National Bank of Oman SAOG - Risk Management - Credit Risk*".

*Concentrations*

The Bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risk with individuals or groups of customers in specific locations or businesses. It also obtains security where appropriate.

The distribution of the Bank's assets, liabilities and contingent items by geographical regions as at 31 December in each of 2021 and 2020 is set out in Note 33 to the 2021 Financial Statements.

***Financial investments (net)***

As at 30 September 2022, the Bank's financial investments (net) decreased by RO 37.8 million, or 8.4 per cent., to RO 409.4 million compared to RO 447.2 million as at 31 December 2021. As at 30 September 2022, the financial investments included investments in Oman Government development bonds of RO 233.8 million, treasury bills of RO 80.0 million and equity shares and bonds, primarily listed in Oman and other GCC countries, of RO 78.3 million.

As at 31 December 2021, the Bank's financial investments increased by RO 128.7 million, or 40.4 per cent. to RO 447.2 million compared to RO 318.5 million as at 31 December 2020. As at 31 December 2021, the financial investments included investments in Oman Government development bonds of RO 258.7 million compared to RO 241.1 million as at 31 December 2020 and Treasury bills of RO 107.0 million compared to RO 20.0 million as at 31 December 2020.

**Liabilities and equity**

The following table sets out the Bank's total liabilities and equity as at the relevant dates.

| | As at 30 September | As at 31 December | | Percentage change | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 22/21[(1)] | 21/20 |
| | *RO'000* | | | % | |
| Total liabilities | 3,614,146 | 3,525,612 | 3,102,418 | 2.5 | 13.6 |
| Total equity[(2)] | 580,276 | 555,455 | 530,233 | 4.5 | 4.8 |
| **Total liabilities and equity** | **4,194,422** | **4,081,867** | **3,632,651** | 2.8 | **12.4** |

(1) 30 September 2022 compared to 31 December 2021.
(2) Total equity includes proposed cash dividends as at 30 September 2022 of nil, as at 31 December 2021 of RO 6.0 million and as at 31 December 2020 of nil.

As at 30 September 2022, the Bank's total liabilities and equity amounted to RO 4,194.4 million compared to RO 4,081.9 million as at 31 December 2021 and RO 3,632.7 million as at 31 December 2020.

***Total liabilities***

The following table sets out a breakdown of the Bank's principal total liabilities as at the relevant dates.

| | As at 30 September | As at 31 December | | Percentage change | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 22/21[(1)] | 21/20 |
| | *RO'000* | | | % | |
| Due to banks and other money market deposits | 267,645 | 297,729 | 288,723 | (10.1) | 3.1 |
| Customers' deposits and unrestricted investment accounts | 3,013,484 | 2,917,732 | 2,527,179 | 3.8 | 15.5 |
| Euro medium term notes | 187,819 | 192,500 | 192,500 | (2.4) | - |
| Taxation | 13,410 | 13,175 | 9,568 | 1.8 | 37.7 |
| Other liabilities | 131,788 | 104,476 | 84,448 | 26.1 | 23.7 |
| **Total liabilities** | **3,614,146** | **3,525,612** | **3,102,418** | 2.5 | 13.6 |

(1) 30 September 2022 compared to 31 December 2021.

As at 30 September 2022, the Bank's total liabilities amounted to RO 3,614.1 million compared to RO 3,525.6 million as at 31 December 2021, an increase of 2.5 per cent. The increase in total liabilities as at 30 September 2022 was principally due to an increase in customer deposits.

As at 31 December 2021, the Bank's total liabilities amounted to RO 3,525.6 million compared to RO 3,102.4 million as at 31 December 2020, an increase of RO 423.2 million, or 13.6 per cent.

The increase in total liabilities as at 31 December 2021 was principally due to an increase of RO 390.6 million in customers' deposits.

*Due to banks and other money market deposits*

As at 30 September 2022, the Bank's due to banks and other money market deposits amounted to RO 267.6 million compared to RO 297.7 million as at 31 December 2021, a decrease of 10.1 per cent. The decrease in the Bank's liabilities due to banks and other money market deposits as at 30 September 2022 is attributed to a decrease in short term borrowing from overseas financial institutions.

As at 31 December 2021, the Bank's due to banks and other money market deposits amounted to RO 297.7 million compared to RO 288.7 million as at 31 December 2020, an increase of RO 9.0 million, or 3.1 per cent. The Bank's due to banks and other money market deposits principally comprise borrowings from banks amounting to RO 293.1 million and RO 282.2 million as at 31 December 2021 and 31 December 2020, respectively. These borrowings include both interbank borrowings that are less than one year and other syndicated borrowings with tenor over one year.

*Customers' deposits and unrestricted investment accounts*

As at 30 September 2022, the Bank's customers' deposits and unrestricted investment accounts amounted to RO 3,013.5 million compared to RO 2,917.7 million as at 31 December 2021, an increase of 3.8 per cent. The increase was due to an increase in term deposits, partially offset by decrease in current and saving accounts.

As at 31 December 2021, the Bank's customers' deposits and unrestricted investment accounts amounted to RO 2,917.7 million compared to RO 2,527.2 million as at 31 December 2020, an increase of RO 390.6 million, or 15.5 per cent. This increase was principally due to an increase of RO 439.1 million, or 50.9 per cent., in current accounts which was offset by an RO 52.7 million, or 5.1 per cent., in term deposits. The increase in current accounts was driven by a rise in operational cash flows in the wholesale and international segments and the decline in term deposits reflected customer actions to convert a portion of term deposit into other non-maturing deposits and other liquid instruments.

The following table sets out the break-down of funding from the Bank's customers' deposits and unrestricted investment accounts as at the relevant dates.

| | **As at 30 September** | **As at 31 December** | | **Percentage change** | |
|---|---|---|---|---|---|
| | **2022** | **2021** | **2020** | **22/21[(1)]** | **21/20** |
| | *RO'000* | | | % | |
| Current accounts | 1,276,337 | 1,301,202 | 862,055 | (1.9) | 50.9 |
| Saving accounts | 621,473 | 640,518 | 636,437 | (3.0) | 0.6 |
| Term deposits | 1,115,674 | 976,012 | 1,028,687 | 14.3 | (5.1) |
| **Total customers' deposits and unrestricted investment accounts** | **3,013,484** | **2,917,732** | **2,527,179** | 3.8 | 15.5 |

(1) 30 September 2022 compared to 31 December 2021.

*Euro medium term notes*

The Bank has established a Euro medium term note programme with a limit of USD 1,500 million. As at 30 September 2022, the Bank had an outstanding notes issuance of RO 192.5 million (U.S.$500 million) which matures in September 2023. These notes are listed on the Irish Stock Exchange and governed by English law.

***Total equity***

As at 30 September 2022, the Bank's total equity amounted to RO 580.3 million compared to RO 555.5 million as at 31 December 2021 and RO 530.2 million as at 31 December 2020.

In 2021, the Bank issued Perpetual Tier 1 Capital Securities (the "**Tier 1 Securities**") amounting to U.S.$300,000,000 (RO 115,500,000). Subsequent to the issuance, the Bank exercised its option to call perpetual Tier 1 capital securities for the equivalent amount issued in 2015. The Tier 1 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 Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its sole discretion on any interest payment date after 1 April 2026 subject to the prior consent of the CBO.

These securities form part of the Tier 1 capital of the Bank and comply with Basel III and CBO regulations (BM 1114).

**Contingent liabilities and commitments**

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised in the Financial Statements, they contain credit risk and are therefore part of the overall risk of the Bank.

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees, which are designed to meet the requirements of the Bank's customers. Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates or other termination clauses and require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers' contingent upon the failure of the customer to perform under the terms of the contract.

The following table sets out the Bank's contingent liabilities and commitments as at the relevant dates.

| **Contingent liabilities and commitments** | **As at 30 September** | **As at 31 December** | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| | | *RO'000* | |
| Guarantees | 275,411 | 282,872 | 281,967 |
| Documentary letters of credit | 67,138 | 73,376 | 38,940 |
| Undrawn commitments to lend | 205,903 | 119,265 | 176,623 |

A further discussion of the Bank's contingent liabilities and commitments is provided at Note 21.1 to the 2021 Financial Statements and note 16 to the Interim Financial Statements.

**Capital adequacy**

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("**Basel**") and adopted by the CBO in supervising the Bank. The Bank is in compliance with all regulatory capital adequacy requirements applicable to it.

***Capital management***

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, the Bank may adjust dividends payment to shareholders, return capital to shareholders or issue capital securities. The Bank's capital management policy was revised during the year 2022 to incorporate the regulatory changes.

Capital adequacy is measured using the risk asset ratio, which relates capital to balance sheet assets and off-balance sheet exposures weighted according to broad categories of risk.

The risk asset ratio calculated in accordance with the capital adequacy guidelines of the CBO was as follows:

| Capital Adequacy | As at 30 September | As at 31 December | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | | *RO'000* | |
| **Capital base** | | | |
| Common equity Tier 1 - shareholders' funds | 414,691 | 419,995 | 402,817 |
| Additional Tier 1 - capital | 115,500 | 115,500 | 115,500 |
| Tier 2 - collective impairment provisions | 21,426 | 26,387 | 33,939 |
| **Total capital base** | **551,617** | **561,882** | **552,256** |
| **Risk weighted assets** | | | |
| Credit risk | 3,264,398 | 3,232,312 | 3,072,484 |
| Operational risk | 230,414 | 230,414 | 233,953 |
| Market risk | 102,976 | 95,617 | 52,171 |
| **Total risk weighted assets** | **3,597,788** | **3,558,343** | **3,358,608** |
| CET 1 Ratio | 11.5% | 11.8% | 12.0% |
| Tier 1 Ratio | 14.7% | 15.0% | 15.4% |
| Risk asset ratio (Basel II norms) | 15.3% | 15.8% | 16.4% |

## DESCRIPTION OF NATIONAL BANK OF OMAN SAOG

### Overview

The Bank was established in Oman on 28 February 1973 as a joint stock company (under registration no. 1003704) and is engaged in retail banking, wholesale banking and commercial banking. It is known in Arabic as "Bank Al Watani" and its registered address is New Head Office, Azaiba, Muscat, P.O Box 751, P.C 112, Oman. The Bank's website address is www.NBO.om and its telephone number is +968 2477 8219. The Bank's shares are listed on the Muscat Securities Market under the company code "NBOB".

As at 31 December 2021, the Bank had a network of 66 branches operating in Oman, two branches in the UAE and one branch in Egypt, as well as 209 automatic teller machines ("**ATMs**") and cash and cheque deposit machines ("**CCDMs**"). In 2021, the Bank provided banking services to over 534,000 retail customers and over 25,000 corporate and SME customers. In the UAE, the Bank operates at its branch in Abu Dhabi (National Bank of Oman, Ground Floor, Nahel Tower, Fatima Bint Mubarak Street, Al Markaziya, Zip Code: 3822 Abu Dhabi) and its branch in Dubai (National Bank of Oman, Um Al Sheif, PO BOX 66106, Dubai, United Arab Emirates). The UAE branches are regulated by the Central Bank of the UAE.

As at 30 June 2022, the Bank represented 14.0 per cent. of the total credit and 14.1 per cent. of the total deposits of all banks in Oman (Source: CBO July 2022 Monthly Statistical Bulletin). As at 30 September 2022, the Bank's international operations in the UAE and Egypt accounted for 2.7 per cent. of its total assets. The Bank is in the process of closing down its operations in Egypt and expects the closure process to be completed during 2022, subject to regulatory clearances. The Bank opened its first Islamic banking branch under the brand name "Muzn" in 2013, and as at 30 September 2022, it has six Islamic banking branches.

The banking industry in Oman is regulated by the CBO, which regularly carries out on and off-site examinations of financial institutions. The CBO imposes guidelines which monitor capital, liquidity, funding mismatches, investments and overseas exposures, in addition to general banking operations (see "*Oman Banking System and Prudential Regulations*").

As at the date of this Prospectus, the Bank has been assigned a long-term issuer default rating of 'BB-' (stable outlook) by Fitch, a senior unsecured bond rating of 'Ba3' (positive outlook) by Moody's and a foreign currency long-term rating of BB (stable outlook) by Capital Intelligence.

The Bank has won a number of awards for excellence in banking in the Oman market from a number of Government and other private sector bodies, that recognise the Bank's contribution to the development of the banking sector in Oman, in retail banking, investment banking and corporate banking such as "Best Private Bank in the Middle East" by Digital Banker (June 2020), "Best Life Insurance Product in Middle East 2020" by Asian Bankers Middle East, "Best Customer Loyalty Initiative in the Middle East 2020" for Nuqati by Asian Bankers Middle East, "The Best Mobile Banking App Oman 2021" by International Business Magazine, "The Most Innovative Mobile Banking App Oman 2021" by Global Business Outlook and at the World Business Outlook Awards, "Best Digital Bank Oman 2021" at the World Business Outlook Awards, "Islamic Bank of the Year" by Banker Banking Awards 2021, "Excellence in Digital Transformation" by Oman Economic Review 2021 and "Top 50 Banks in the Middle East" by Forbes Middle East 2021.

In addition, the Bank was awarded "Excellence in Digital Transformation" from Oman Economic Review in recognition of its innovation leadership journey. The Bank's Private Banking team was recognised at the Global Private Banking Innovation Awards, with one relationship manager winning "Female Private Banker of the Year in the Middle East 2021" and the department winning "Outstanding Wealth Management Offering for Affluent Clients 2021".

Muzn was also named among the Best Islamic Banks in Oman 2020 by Islamic Finance News and "Islamic Bank of the Year - Oman 2021" by The Banker.

In 2022, the Bank has won a number of awards for excellence in banking in the Oman market from a number of Government and other private sector bodies, that recognise the Bank's contribution to the development of the banking sector in Oman, in retail banking, investment banking and corporate banking such as Best CSR Bank 2022 and Best Mobile Banking App Oman 2022 by World Business Outlook, Straight Through Processing Excellence award from Citibank, "Best Private Bank in Oman 2022" and "Best Banking Technology Oman 2022" by World Economic Magazine Awards, and "Best Innovation in Corporate Banking and Finance" 2022 by The MEA Finance Banking Technology Awards. The Bank has also been recognised by the Ministry of Social Development for its continuous work supporting people with disabilities in Oman, another key focal point of its CSR programme.

Muzn was also named among the "Best Islamic Bank Oman 2022" by World Economic Magazine Awards and "Islamic Bank of the Year 2022" by The Banker Magazine.

**History**

The Bank was the first Omani commercial bank to be established. The Bank commenced operations with two branches in 1973. WJ Towell & Co. and Bank of America were the Bank's initial principal shareholders, with holdings of 51 per cent. and 39 per cent., respectively. In 1987, Bank of Credit and Commerce International (Luxembourg) Holdings SA ("**BCCI**") acquired Bank of America's 39 per cent. stake. In 1991, the operations of BCCI were suspended and the Bank was recapitalised by the Government. Suhail Bahwan Group ("**SBG**") acquired a 35 per cent. holding in the Bank in 2003 through a private issue of share capital. In 2005, SBG and certain other minority shareholders divested part of their holdings to Commercial Bank, which currently holds 34.9 per cent. of the Bank's issued share capital.

Since its establishment, the Bank has focused on providing a full range of banking services to its customers. The Bank was the first bank in Oman to offer customers various new products and services including credit and debit cards, access to ATMs and several savings products. In 2013, the Bank launched its Islamic banking operations under the brand name Muzn, with the aim of offering customers a range of *Shari'a* -compliant products and services.

The Bank has had an international presence in the UAE (Abu Dhabi and Dubai) for over ten years. In 2013, it secured a full banking licence to offer conventional services in the UAE and in the last quarter of 2013 it opened a branch in Dubai. The Bank's UAE assets amounted to RO 113.2 million as at 30 September 2022. Reflecting continuing political instability in Egypt, the Bank is in the process of closing down its operations in the country and expects the closure process to be completed in 2022, subject to regulatory clearances. See "– *Branch Network and Product Distribution*".

**Strategy**

The Bank's vision is to be the bank of choice for individual, business and government customers by providing a consistently superior customer experience using technology to deliver personalised services and advice as well as convenient and innovative products.

In December 2020, the Board of Directors of the Bank approved the five year strategy, which has a strong emphasis on safeguarding the Bank against dynamic market shifts, creating value for all stakeholders and long-term development. The following primary strategic goals of the Bank's development are outlined below.

***Continue to develop the Bank's digital footprint to better serve customers as well as driving efficiency and data-driven decision making***

Since its inception, the Bank has been a leading force within Oman for innovation and adoption of new technologies, from being the first bank to introduce ATMs to the first to introduce internet banking. Today this tradition continues, throughout the organisation the Bank is driving a "digital first" mindset. The Bank believes that this will provide a superior customer experience and allow easy and simple ways for customers to engage digitally, delivering improved cross-sell and increasing non-funded income. By investing in digitisation, the Bank also aims to increase efficiency, improve its decision making by greater use of data-driven analytics as well as increasing security and reducing operational risk and fraud. The planned strategic investments into digitising the Bank's sales and services focus on online account opening, enhancing the capabilities of ATMs and rolling out 24-7 self-serve kiosk terminals. The Bank's focus goes beyond hardware and software and is also on employee training and engagement as providing employees with the tools, skills and insights to successfully operate in a digitally focused world is essential for the Bank to realise its goals.

***Distinctly position the Bank's brand and further develop a leading service-orientated culture***

The Bank has had a deep connection with the development of Oman since 1973 when it became the first local bank to be established. Over the years, the Bank has dedicated itself to supporting Oman's economic and social prosperity. As new technologies are deployed and the digital footprint is expanded, the Bank sees an opportunity to build on this heritage by positioning itself as a link between Oman's past and its future. The Bank is therefore investing in its brand to define a distinct position and corporate purpose, supported by appropriate brand tools, refurbished visual traits across distribution channels and increased investment on brand promotion. The Bank aims to ensure a consistent and recognisable brand presence across all the Bank's businesses and products. The distinct positioning of the Bank's brand and corporate purpose will also be used as an internal tool to drive employee culture and values. Particular emphasis will be made on ensuring the highest levels of customer service supported by employees who are equipped with knowledge in the latest digital technologies and advisory skills to connect clients with opportunities.

***Serve retail clients by offering transactional and deposit solutions (including developing a superior market position in retail payments) combined with wealth-driven investment opportunities***

The retail banking market in Oman has experienced significant changes in recent years, including additional banking regulations regarding personal lending (see "*Oman Banking System and Prudential Regulations – Lending Limits*"). At the same time, the payments sector has undergone changes driven by technological developments, widely seen in other GCC and international markets, and the CBO sets mandates that specifically target the development of the payments sector. Whilst the Bank will continue to be one of the leading players in the retail lending market in Oman, it believes that the historic approach of using personal lending as a means to acquire clients is no longer a sustainable strategy. As a digitally focused relationship bank that connects clients with investment opportunities, whilst providing convenient transaction and payment solutions, the Bank believes it will be at the forefront of these changes. The Bank is making investments to develop its retail advisory capabilities, both in terms of systems and products as well as increasing the training and qualifications of staff. By building upon the current strength of its merchant network the Bank intends to build a superior market position in retail payments and the recent launch of its "Badeel" prepaid cards bolsters its presence in this space. Investments are being made to develop new payments and mobile wallet solutions and the Bank is also exploring alliances with third parties to enhance its payments reach and deepen its market presence. The Bank believes that these changes will serve its retail customers better, increasing customer satisfaction and loyalty at the same time as growing non-funded income and ensuring retail remains an attractively priced source of funding.

***Enhance corporate and Government-related relationships by focusing on advisory-led products, including trade, transaction banking and lending***

Economic pressures, felt in Oman and across the globe, have increased competition between banks and made pricing an unsustainable mechanism for driving client loyalty and retention. The Bank believes that focusing on an advisory-led business model for corporate and Government-related clients provides the highest level of value for its clients, resulting in a sustainable and cost effective approach towards loyalty. This refocuses the client engagement model from selling products to considering a holistic approach that proposes personalised solutions to client needs. A greater emphasis will be placed on providing insights to clients and connecting them to opportunities. In order to facilitate this change the Bank is investing in technology, processes and people. These investments will provide new products to clients as well as enhancing the functionality of the existing offering, for example providing corporate and government clients with greater flexibility in user access and transaction controls. By streamlining and, where possible, automating processes, the Bank expects to not only improve client experience but also benefit from internal efficiency improvements. Selected hiring of new staff will be made in specific areas where the Bank feels the need to augment its existing talent base with external hires or to free up existing resource to focus on origination.

***Develop the Bank's UAE presence, in particular to capture cross-border trade and financing revenues in the UAE-Oman trade corridor***

The Bank is unique in being the only Omani head-quartered Bank with a license to operate in the UAE. In past years the Bank, in common with other UAE market participants, has been focused on managing asset quality after a turbulent market slowdown. The Bank now has a stable platform upon which to grow in the UAE. In particular, management believes that a significant opportunity exists for the Bank to support the UAE-Oman trade corridor, which accounts for nearly 50 per cent. of Oman's imports, making the UAE

Oman's single most important trading partner by a significant margin. This effort is being supported by the Bank's UAE-based operations and by investments in Oman. Given the Bank's strong relationships with Omani corporates, there is an immediate opportunity to serve the needs of existing clients as well as new clients.

***Outperform peers on shareholder returns whilst growing in a prudent manner***

The Bank believes that a prudent approach to growth with a focus on shareholder returns, rather than capturing overall market share, is the correct strategy in times of economic uncertainty. The Bank is therefore focused on income growth, especially on non-funded income, whilst driving efficiency and continuing its philosophy of containing costs. In this manner, the Bank aims to continue delivering strong returns to shareholders.

**Competition and Competitive Strengths**

The Bank is subject to competition in Oman from both locally incorporated and foreign banks. According to the CBO's website, there are 16 commercial banks operating in Oman, of which seven are locally incorporated conventional banks and nine are branches of foreign banks. In addition, there are two locally incorporated Islamic banks (source: *CBO*).

Although locally incorporated banks generally have stronger relationships with Omani nationals and companies which are incorporated in Oman, foreign banks may have greater resources and access to potentially cheaper funding sources. Foreign banks are also able to leverage their international expertise and, in some instances, provide more attractive products and services to Omani corporates with international business operations, as well as to foreign companies operating in Oman.

The Bank believes that its competitive strengths are:

- *its financial performance*: the Bank's financial performance has been strong in recent years although 2020 was negatively impacted by the COVID-19 pandemic and the associated economic disruption. The Bank's return on average equity and return on average assets was 3.4 per cent. and 0.5 per cent., respectively, in 2020 and 5.5 per cent. and 0.8 per cent., respectively, in 2021. The Bank's net interest margin in 2021 was 2.5 per cent. compared to 2.6 per cent. in 2020. In 2021, the average overall effective annual cost of the Bank's interest bearing funds was 2.5 per cent. and the Bank's yield on interest earning assets was 5.0 per cent. The Bank continues to have margins in line with or above the local operations of other banks in Oman;

- *its digital platform and innovation culture*: the Bank has built a strong digital platform from which it currently serves retail, corporate and Government clients. This platform provides a strong base from which the Bank intends to grow its digitisation strategy. In recent years the Bank has developed a strong innovation culture internally by encouraging employees to participate in incubating fintech solutions. These initiatives foster a culture of innovation and help the Bank attract talent that drives its digital agenda;

- *its strong relations with the Government and Government-related entities*: the Government indirectly holds more than 25 per cent. of the outstanding shares in the Bank (see "*—Shareholding Structure—Pension funds*"). Accordingly, the Bank has a strong relationship with the Government and has been able to secure stable and significant deposits from the Government and Government-related entities, providing a source of attractively priced funding;

- *its enduring and strong relations with prominent companies and individuals in Oman*: the Bank was founded in 1973 and is the oldest local bank operating in Oman. It has enjoyed long term corporate and retail relationships with a number of prominent companies, Government-related entities and individuals which generate significant fees and deposits for the Bank. This customer loyalty was nurtured over years and has been achieved as a result of the Bank's full range of product offerings and its commitment to superior customer care. The Bank's "Sadara" offering was the first banking and wealth management service launched by a locally head-quartered bank in Oman that specifically catered to the needs of high net worth and ultra-high net worth individuals;

- *its presence in the UAE presents opportunities to diversify*: the Bank sees the UAE as a very important market and one where it is unique in being the only Oman head-quartered bank with a

UAE licence. The UAE's diversified economy presents the Bank with an opportunity to grow in a jurisdiction which enjoys economic and market synergies with Oman. The UAE is Oman's leading trade partner, accounting for 35.6 per cent. of Oman's imports in 2021 (source: CBO June 2022 Quarterly Statistical Bulletin);

- *its role as a strategic partner of Commercial Bank*: the Bank operates as an alliance bank of Commercial Bank, which enables it to enter into arrangements with other Commercial Bank alliance banks on a variety of initiatives and transactions including cross-border transactions. The Bank is also able to leverage Commercial Bank's expertise in the areas of retail banking (particularly around the development of digital payment products), cross-border deals, risk management, financial resource management, technology and human resource practices and adopt those best practices. See "*—Shareholding Structure—Commercial Bank*"; and

- *its Islamic banking window*: the successful introduction of the Bank's Muzn Islamic banking window ensures that the Bank can offer a greater range of relevant products and services to meet customer needs. This is an important area for the Bank as it enables the Bank to compete in the local *Shari'a*-compliant financial services market, which grew by 86.9 per cent. in the five years between 30 June 2017 and 30 June 2022 from RO 2.75 billion to RO 5.14 billion in terms of total financing (source: CBO June 2022 Quarterly Statistical Bulletin).

**Shareholding Structure**

As at 30 September 2022 the Bank's major shareholders were:

| | Percentage of total Bank shares |
|---|---|
| Commercial Bank | 34.9 |
| Sheikh Suhail Bin Salim Bahwan | 14.8 |
| Civil Service Employees' Pension Fund | 11.5 |
| Ministry of Defence Pension Fund | 7.6 |
| Public Authority for Social Insurance | 8.6 |

***Commercial Bank***

Commercial Bank is one of the largest banks in Qatar and is listed on the Qatar Stock Exchange. Commercial Bank has expanded in the GCC through the acquisition of strategic interests in several regional financial institutions. The Bank benefits from Commercial Bank's retail banking strengths. Commercial Bank acquired its stake in the Bank in 2005 and continues to have a major strategic alliance with the Bank and is represented on the Bank's Board by the Deputy Chairman, Sheikh Abdulla Bin Jabor Bin Ali Al Thani.

As at the date of this Prospectus, Commercial Bank has been assigned: a long-term issuer default rating of 'A-' with a 'stable' outlook by Fitch; a long-term and short-term bank deposits rating of 'A3'/'P-2' with a 'stable' outlook by Moody's; and an issuer credit rating of 'A-/Stable/A-2' by Standard & Poor's Ratings Services.

***Sheikh Suhail Bin Salim Bahwan***

Sheikh Suhail Bin Salim Bahwan is the Chairman and Founder of SBG, which is one of Oman's largest business houses. It manages more than 30 companies in the trading, engineering and construction, specialised services, manufacturing and industrial investments and information technology sectors. SBG also holds automobile agencies for BMW, Isuzu, Subaru, Hyundai and GM. SBG is also a major participant in the country's privatisation programmes and employs more than 10,000 people. In March 2022, the shares held by SBG in the Bank were transferred to the personal name of Sheikh Suhail Bin Salim Bahwan. Prior to this, SBG was represented on the Bank's Board by the Chairperson of SBG, Ms. Amal Suhail Bahwan. As at the date of this Prospectus, she continues to remain the Chairperson of the Bank's Board.

***Pension funds***

Among the Omani pension funds, the top three collectively hold approximately 27 per cent. of the Bank's shares. These are classified as indirect shareholdings by the Government. The pension funds are "cash rich" and are also major depositors with the Bank.

**Business Activities**

For financial reporting purposes, the Bank's operations in 2022 and 2021 are split between Retail Banking, Wholesale Banking, International Operations, Funding Center and Islamic Banking. In 2020 and 2021, the Banks operations were split between Retail Banking, Wholesale Banking, Commercial Banking, International Operations, Funding Center and Islamic Banking.

1. Retail Banking offers various products and facilities to individual retail and high net worth customers to meet everyday banking needs. These products and facilities include asset products such as:

    - personal loans;
    - housing loans;
    - credit cards;
    - term loans; and
    - auto loans.

    In addition, Retail Banking offers liability products such as:

    - savings accounts;
    - current accounts;
    - term deposits;
    - all deposits; and
    - a child savings account.

2. Wholesale Banking delivers a variety of products and services to corporate, Government and financial institution customers that include:

    - lending and accepting deposits;
    - trade finance;
    - treasury and foreign exchange; and
    - investment banking products such as asset management, corporate advisory and brokerage services to retail customers and institutional clients.

3. Islamic Banking offers products in line with *Shari'a* principles.

4. International Banking includes the Bank's UAE and Egypt operations.

5. Funding Center is responsible for balancing and managing the liquidity of funds within the Bank. It acts as the repository of funds by allocating funds transfer pricing to various business units for performance management purposes. It also handles the Bank's investments in securities, asset/liability management and cash instruments.

***Retail banking group***

As at 30 September 2022, the Bank's retail banking assets amounted to RO 1,338.7 million and accounted for 31.9 per cent. of the Bank's total assets. As at 30 September 2022, the Bank provided banking services to approximately half a million retail customers.

The Bank's retail banking products and services are targeted at both Omani nationals and expatriates, across different age groups, levels in society and income. As at 30 September 2022, the Bank's retail customer portfolio comprised 57.0 per cent. Omani nationals and 43.0 per cent. expatriates. The Bank considers that the key selling points for its retail clients are the breadth of services and products offered, the quality of its personnel, particularly those in client-facing roles, its innovative and advanced digital banking capabilities, the physical distribution and reach of its branch network and its strong brand of being the National Bank.

The Bank is actively reducing its retail customer servicing costs, where possible, by offering alternatives to the traditional branch network by enhancing the capabilities of its digital distribution channels including internet banking, ATMs, CCDMs, interactive teller machines, a call centre and a mobile banking app. In addition, the Bank was one of the first banks in Oman to launch a mobile banking app and to introduce multifunctional kiosks and a unique prepaid kiosk with simplified banking services. See "—*Branch Network and Product Distribution*".

The principal products and services offered by the Bank's retail banking group include:

*Current, savings and term deposit accounts*

The Bank offers a wide range of deposit products in local and foreign currencies including savings accounts (interest-bearing and non-interest-bearing), current accounts, corporate salary accounts, call deposits and fixed deposits. As at 30 September 2022, the retail banking group's time deposits amounted to RO 136.6 million, its savings deposits amounted to RO 614.6 million and its current and call accounts amounted to RO 157.9 million.

*Lending*

The Bank offers two main loan products to retail customers: general purpose unsecured loans and secured housing and auto loans.

General purpose unsecured loans are provided to suit the needs of local customers, such as the purchase of goods, travel and educational services. General purpose loans are supported by salary transfers to the Bank and are regarded as salary-related unsecured loans. As at 30 September 2022, these salary-related unsecured loans amounted to RO 920.3 million and accounted for 26.8 per cent. of the Bank's gross loans and advances.

Secured housing and auto loans are provided by the Bank to assist retail customers with the purchase of residential land for development, the purchase of existing residential property, the construction and maintenance of residential property, the refinancing of existing housing loans and the purchase of a new or used vehicle for personal use. As at 30 September 2022, the housing loans portfolio amounted to RO 439.6 million and accounted for 12.8 per cent. of the Bank's gross loans and advances. The Bank's internal cap on retail mortgages is equal to the statutory limit of 15 per cent.

*Credit, debit and prepaid cards*

The Bank offers a variety of credit, debit and prepaid cards to its retail and corporate customers.

The Bank's suite of credit, debit and prepaid cards offer cashless convenience, tailor-made to meet the needs of its customers. Providing spending power and a smarter, safer alternative to cash, cardholders are able to access numerous benefits, including free travel insurance, airport lounge access, concierge service, cinema tickets, dining and hotel discounts.

The Bank was the first bank in Oman to issue a multi-currency prepaid travel card to both Bank customers as well non-Bank account holders. The travel card can be ordered through the Bank's mobile banking app, self-service kiosks and branches. In addition, non-Bank account holders can use the dedicated Badeel Prepaid application with a simplified know-your-customer process to obtain the travel card.

*"Sadara" wealth management services*

Sadara wealth management services are designed to offer an enhanced customer service to the Bank's high net worth retail customers. It is an exclusive banking service tailor-made to provide privileged customers with personalised attention, preferential services and a wide range of exclusive banking products to meet their financial needs. Sadara customers must demonstrate a minimum deposit of RO 40,000 (or equivalent) or earn a minimum monthly salary of RO 3,500 (or equivalent).

*Investments*

Since 2012, the Bank has offered wealth management services including access to exclusive investment products and international mutual funds to its customers. The Bank has recently launched a market first "systematic investment plan" ("**SIP**"), an investment vehicle offered by mutual funds to investors, allowing clients to invest small amounts periodically instead of large lump sum investments. The frequency of the investment is monthly through a fixed amount of money that is contributed by the investor and invested in specified securities.

A team of wealth advisers are at the disposal of its retail clients to assist with increasing their personal wealth by making strategic investment decisions. The unit was awarded the "Best Private Banking in the Middle East" award by The Digital Banker in 2020.

*"Mazaya" banking*

Mazaya banking offers services to affluent or emerging high net worth individuals. Mazaya offers customers personalised banking and investment services. The Mazaya services are designed to develop lifetime loyalty from its customer base. By maintaining a minimum deposit of RO 15,000 and/or a salary of RO 1,000 and above, a customer can be part of an exclusive and rewarding banking experience. The benefits include dedicated customer service representatives, as well as dedicated counters at selected branches, special access to investment and insurance products and the "**Mazaya Platinum**" debit and credit cards.

*Remittance services*

The Bank, in partnership with a large Indian bank (Axis Bank Ltd.), offers a comprehensive range of products to non-resident Indians ("**NRIs**") including transaction accounts, global debit cards, multi-branch banking facilities, fixed deposits and home loans in India through the Bank's branches in Oman.

The Bank also offers a different, faster and cheaper remittance service through its partnership with MoneyGram and MasterCard to its retail clients.

*Digital services*

The Bank offers various digital services to serve its customer across different segments. These services allow its retail, corporate, payment acquiring and Muzn customers to meet their needs around the clock and include Mobile Banking, Retail Internet Banking (RIB), Call Center, ATMs, Cash Deposit Machines (CDM), CCDMs, Full Functional Machines (FFM), Self-Service Kiosks, WhatsApp Banking, Interactive Teller Machines (ITM), Pay+ App, Badeel Prepaid App, Badeel Kiosks, Corporate Internet Banking (CIB), Corporate App, Market Zone App, POS Machines, Payment Gateway "E Commerce", QR Codes, Merchant App, Muzn Mobile App, Muzn Corporate Internet Banking (MCIB) and Muzn Full Functional Machines (MFFM).

The Bank has more than 130,000 active customers on mobile banking with access to various services which serve their daily banking needs. Mobile banking has obtained the best mobile banking award from International Business Magazine for three consecutive years. In addition to the Bank's mobile app, it has another app dedicated to non-Bank customers in partnership with Ooredoo Oman called Pay+.

***Wholesale banking group***

The Bank's large corporate, transaction banking, government, investment banking, treasury, financial institutions and special asset management divisions operate under the umbrella of the wholesale banking group.

As at 30 September 2022, the Bank's wholesale banking assets amounted to RO 2,031.8 million and accounted for 48.4 per cent. of the Bank's total assets.

The Bank's wholesale banking group is split into the following divisions:

- *Corporate banking*: which provides services and products tailored to appeal to multinational and corporate customers. Corporates may be grouped into segments (such as large corporates, SMEs and business banking) depending on, for example, their size, location and industry;

- *Global transaction banking*: which offers fully digitised liquidity management solutions and customised transaction and trade solutions to corporate customers covering the entire business cycle, from the procurement phase, through product processing, to post-sales;

- *Government banking*: which provides customised services and solutions to the Government, Government-related entities, sovereign wealth funds and pension funds within Oman;

- *Investment banking:* which offers institutions and businesses independent financial advice, in addition to transaction execution assistance across various investment products and services;

- *Treasury:* which manages the funding and liquidity requirements of the Bank, and offers a range of derivative products to Omani corporates, Government and Government-related entities, as well as to the Bank's international clients and investors. The treasury division has a sales team which structures and sells treasury and foreign exchange and interest rate hedging instruments and offers a range of products to cater to the evolving financial needs of the Bank's clients. The Bank does not trade these products for its own account;

- *Financial institutions:* which pursues and establishes correspondent relationships with international banks and undertakes risk participation, both funded and unfunded through primary and secondary market deals; and

- *Special asset management* ("***SAM***"): which pursues stressed corporate accounts and manages the Bank's stressed asset portfolio.

*Corporate banking division*

As at 30 September 2022, the Bank provided banking services to over 5,000 corporate customers, out of which approximately 500 corporate borrowing customers are serviced by the corporate banking division.

The corporate banking division seeks to deliver financial solutions and corporate credit facilities tailored to meet the needs of every type of business and industry customer. A team of experienced account relationship managers serve the Bank's corporate customers across the Bank's branch network.

The principal services offered by the Bank's corporate banking division include:

- *Working capital finance:* revolving working capital facilities in the form of overdrafts, receivables financing, inventory financing and short-term loans denominated in Riyal and in a number of major currencies;

- *Term loans:* fixed and floating rate term loans, typically with a maturity of at least one year, in Riyal and other major currencies for the acquisition of capital assets, as well as other corporate purposes;

- *Short-term loans*: short-term secured and unsecured loans are offered to corporate customers for specific purposes with maturities of up to twelve months;

- *Project finance:* financing of long-term infrastructure, industrial and public services projects, customised and based upon a variety of recourse, limited-recourse or non-recourse financial structures, where debt and equity used to finance the project is repaid from cash flow generated by the project; and

- *Syndicated loans*: the Bank has significant experience in arranging, structuring, placing and syndicating multi-currency loan facilities to finance projects across a broad spectrum of customers and sectors, including oil and gas, aviation, ships and tugs, port services, energy and manufacturing.

For SMEs (which are classified as corporates with a turnover of less than RO 5 million) the Bank has focused on developing its products, brand, channels and services. In 2013, the Bank introduced an SME banking division offering products and services, including collateral-backed and unsecured offerings, under the Tijarati brand. The Bank also provides SME customers with advisory services to complement the financial products it offers.

For mid-sized corporate entities which have a size ranging between large corporates (which are classified as entities with turnover in excess of RO 12 million) and SMEs, the Bank offers tailor-made services. These entities have banking requirements which differ from those of large corporates and SMEs.

*Global transaction banking division*

The global transaction banking division offers a range of transactional services and solutions that make it possible for corporates to conduct their financial business more effectively at every level. These services include a wide range of cash management and trade finance solutions. The Bank has dedicated relationship management and service teams across global transaction banking to look after its clients and provide a superior service.

*Cash management*

The Bank's cash management solutions include:

- *Accounts services and payments* – which include current and call accounts with payments services, such as telegraphic transfers and demand drafts; domestic payment services, including bank cheques, book transfers, direct debits and bank transfers; and online bulk payment and payroll services. Specialised advice on account opening is also provided by an experienced cash management team for the Bank's international clients.

- *Digital solutions* – principally corporate internet banking ("**CIB**") which offers a secure, internet-based service designed to execute all local and foreign payments. The CIB usage parameters are fully customisable with the ability to delegate authority and restrict user's functions in line with each customer's own authority matrix. CIB is a solution that allows a corporate customer to manage its cash flows from its own offices. Enterprise resource planning customisation is also available for the Bank's corporate clients.

- *Collection solutions* – these are highly efficient and proven solutions that allow corporates to effectively manage their cash and enjoy an improved clearing cycle that offers greater credit control by providing physical cash collections services, as well as direct debit and virtual accounts.

- *Doorstep banking* – corporates can outsource cash and cheque pick-up and delivery activities to the Bank. The Bank partners with specialised service providers to offer a secure service that covers a wide range of locations.

- *Liquidity management* – the Bank's "physical sweeping" service allows customers to maximise interest returns and minimise overdraft charges by streamlining the transfer of balances to or from a designated account, ensuring any deficit balances are automatically covered by the surplus in a nominated account.

The Bank also offers the ability for its clients to customise its cash management solutions to meet their specific requirements.

*Trade finance*

The Bank's trade finance solutions include:

- *Letters of credit*: letters of credit can be issued by the Bank on behalf of its customers, committing to the relevant beneficiaries that the customer's obligations will be satisfied when due.

- *Export letters of credit*: the Bank advises on inbound letters of credit to its customers who are exporters and these can also be confirmed by the Bank's Financial Institutions group.

- *Acceptances*: the Bank offers acceptances, which involve the Bank undertaking to make payments against documents and bills of exchange;

- *Cash against documents*, clients can opt for collection services in relation to both their imports and exports, documents can be sent and received via the Bank and advised to the clients.

- *Letters of guarantee*: letters of guarantee are irrevocable obligations to pay a sum of money on demand in the event of non-performance of an obligation by a third party. The Bank issues a number of types of letters of guarantee, including tender/bid bonds, performance bonds and guarantees, payment and advance payment guarantees, financial guarantees and risk participation guarantees.

- *Loans against trust receipts*: advances against trust receipts are advances of a pre-agreed tenor, not exceeding one year, used by customers to finance the purchase of goods, direct payments to venders and under letters of credit payments to the beneficiaries.

- *Bills discounting*: the Bank can discount bills for contract financing, bills under export letters of credit under bank lines and its own letter of credit discounting on the Bank's risk.

- *Cash margin transactions*: clients who do not have facilities with the Bank can request the Bank to issue letters of credit, Bank guarantees and trade loans against cash collateral of 115 per cent.

- *Structured trade finance*: the Bank offers its clients tailor-made solutions to cater to highly complex trade finance structures.

- *Online trade channel*: this is a solution that allows a company to manage its trade finance from its own offices through a secure, internet-based service designed to execute trade transactions under letters of credit, guarantees, loans against trust receipts and bill discounting.

*Government banking division*

The Bank provides a singular and bespoke banking and personalised financial service to the Government, Government-related entities, sovereign wealth funds, pension funds and government sector clients in Oman. The Government banking division is one of the key contributors to the Bank's customer deposit base.

As at 30 September 2022, the Bank's government banking liabilities amounted to RO 1,303 million and accounted for 43.2 per cent. of the Bank's total liabilities.

*Investment banking division*

As at 30 September 2022, the Bank's investment banking assets (which comprise the Bank's proprietary investments) amounted to RO 60.4 million (at market value) and accounted for 1.4 per cent. of the Bank's total assets.

The Bank's investment banking division provides institutions and businesses with independent financial advice, in addition to transaction execution assistance across various investment products and services.

The principal services offered by the Bank's investment banking division include:

- *Asset management*: The Bank's asset management business comprises local, regional and international portfolio and fund management services. The business caters to client requirements across multiple asset classes on both an advisory and discretionary basis. These services are offered primarily to major local pension funds, Government and Government-related entities, corporates and ultra-high net worth individual customers. The Bank manages assets of not only Oman-based investors of various profiles but also regional banks, insurance companies, corporates and family offices through its various product offerings. The Bank has been managing pension fund assets in the local equity market since 1996, in the regional markets since 2013 and in the international markets since 2018. Assets under discretionary portfolio management by the Bank are managed under significantly different investment guidelines and risk-return parameters, depending upon the type of client and their specific requirements. The Bank is also the fund manager of the NBO GCC Fund which is domiciled in Oman. The Bank also manages third party GCC funds for other regional sponsors. Due to its long track record of managing assets, the Bank is the asset manager of choice for institutional investors seeking external portfolio managers in Oman.

- *Corporate finance & advisory:* The Bank offers corporate and execution delivery advisory services to corporate, Government and Government-related entity customers. The Bank assists local and regional companies in accessing the Omani market. The Bank provides advisory services to customers relating to mergers and acquisitions, management of equity public offerings, debt security offerings, rights issues, project finance advisory and equity private placements. The Bank has acted as a collecting bank for a number of local equity public offerings. The Bank offers custody and administration services for clients including funds established in Oman and GCC clients investing in Oman.

- *Brokerage*: The Bank's brokerage desk on the Muscat Securities Market is one of the longest standing and employs licensed brokers with strong market trading experience. The brokerage unit manages brokerage transactions for both local and international customers.

*Treasury division*

As at 30 September 2022, the Bank's treasury assets, which includes money market placements (net) and investments in Oman Government development bonds, treasury bills, equities and bonds amounted to RO 349.4 million and accounted for 8.3 per cent. of the Bank's total assets. The Bank's treasury division manages the funding and liquidity requirements of the Bank, and the Bank's deposits, and offers a range of derivative products to Omani corporate, Government and Government-related entities, as well as to the Bank's international clients and investors. The treasury division has a sales team which structures and sells treasury and foreign exchange hedging instruments and offers a range of products to cater to the evolving financial needs of the Bank's clients. The Bank does not trade these products for its own account.

The Bank has established correspondent relationships with international banks and undertakes risk participation, both funded and unfunded, through primary and secondary market deals.

The Bank's treasury operations are arranged into the following units:

- *Foreign exchange and derivatives sales:* this unit offers foreign exchange, commodities, interest rate and derivative solutions to clients These products are designed to manage a customer's financial risk through offering forwards, swaps, options and other customised product offerings. The Bank provides customers with regular market updates on topics related to macroeconomics and financial markets. The Bank also hedges risks arising from its international transactions*;*

- *Money market:* this unit manages the Bank's liquidity and is actively involved in lending and borrowing operations with both local and international banks. This unit also manages the Bank's investment in Government development bonds and certificates of deposits; and

- *Interbank:* this unit plays a key role in mitigating the Bank's market risks arising due to customer's foreign currency and derivative transactions through hedging activities.

The Bank is also a primary dealer, as well as an over-the-counter agent, for the Government bonds market. The CBO regularly issues medium term bonds denominated in Riyals on behalf of the Government. The Government also issues bonds denominated in U.S. dollars in the international capital markets. As at 30 September 2022, the Bank holds RO 251.1 million worth of Riyal-denominated and U.S. dollar-denominated Government bonds.

*Financial institutions division*

Through this division, the Bank's corporate and institutional clients have access to the international trade and payment products and services of the Bank which are enabled through strong alliances with a large network of local and international banks. The various products offered are: LCs; confirmation of LC's in favour of customers in Oman; issuance of guarantees against counter guarantees of correspondent banks; remittances to bank or non-bank beneficiaries through the Bank's network of domestic online branches; overseas operations and strategic correspondent arrangements; risk participation transactions; and syndications.

*Special asset management division*

SAM pursues stressed corporate accounts and manages the Bank's stressed asset portfolio. This division's primary responsibility is to rehabilitate the stressed accounts, including the restructuring of accounts to ensure that assets can be returned as fully performing accounts where possible. Separately, the Remedial Management division also pursues legal collection activities where necessary. See *"—Risk Management—Credit Risk"* and *"—Risk Management—Corporate Credit Risk*".

***Islamic banking group***

As at 30 September 2022, the Bank's Islamic Banking group's assets amounted to RO 219.0 million and accounted for 5.2 per cent. of the Bank's total assets.

Since 2013, the Bank has offered *Shari'a*-compliant banking channels under its Muzn brand offering Islamic corporate, retail and treasury products along with separate ATMs, debit cards, mobile banking and internet banking facilities. In 2019, the Bank launched "Muzn Kids Wakala Proposition" for the youth segment of the market. In 2020, the Bank launched the "Muzn Tijarah Value" proposition, through which the Bank targets SMEs and mid-corporate customers. Muzn was named the "Best Islamic Banking Window" by Global Business Outlook Awards 2020 which is a reflection of its quality customer service in Oman's Islamic banking market. Under the CBO's Islamic Banking Regulatory Framework, any Islamic window may only operate through separate Islamic banking-only branches and must be dedicated to offering Islamic products and services only. All activities conducted through the Muzn Islamic banking window are independent and separate from the Bank's conventional banking operations. As at 30 September 2022, the Bank has six dedicated Islamic banking branches.

The Bank has established a separate Islamic risk committee and asset & liability committee (see "*—Directors, Senior Management and Employees—Management Committees*"), to review the Bank's Islamic banking activities and provide necessary guidance. The Bank's *Shari'a* supervisory board reviews and approves all Islamic banking products prior to their launch and monitors compliance with *Shari'a* principles (see "*—Board Committees*").

***International banking group***

As at 30 September 2022, the Bank's International Banking group's assets amounted to RO 114.7 million and accounted for 2.7 per cent. of the Bank's total assets.

The Bank's international banking group consists of the Bank's operations in the UAE (Abu Dhabi and Dubai) and Egypt. In July 2020, as part of a strategic review, the Bank ceased its operations in Egypt and is in the final stages of implementing a formal exit. The UAE is a core market for the Bank and the Dubai and Abu Dhabi branches focus on wider opportunities aligned to Oman-UAE trade corridor businesses. Business activities in the UAE include a full-fledged retail branch operation and corporate banking.

The Bank's medium term business review of its UAE operation has identified three strategic goals: (i) stabilisation of operations; (ii) continued recovery and prevention and (iii) to adopt a cautious growth strategy in UAE by leveraging Oman-UAE trade corridor business and selective syndications. Asset quality in the UAE has been maintained with insignificant additions to non-performing loans since 2020. Moreover, since 2020 the Bank has been able to register recovery in several non-performing loan accounts through legal measures and negotiated settlements. A robust risk management framework has been established with the active involvement of senior management in Oman.

***Funding Center group***

As at 30 September 2022, the Bank's Funding Center's assets amounted to RO 490.2 million and accounted for 11.7 per cent. of the Bank's total assets.

The Funding Center is responsible for balancing and managing the liquidity of funds within the Bank. It acts as repository of funds by allocating funds transfer pricing to various business units for performance management purposes. It also handles the Bank's investments in securities, asset and liability management and cash instruments.

**Branch Network and Product Distribution**

The Bank's services and products are offered through a range of channels including:

***Branches***

As at 30 September 2022, the Bank's network of 65 branches operating in Oman includes six dedicated Islamic banking branches. Eighteen of the Bank's branches include dedicated centres for Sadara customers. The Bank also uses the retail branch network to offer services to corporate and SME customers. The Bank also has two branches operating in the UAE. The Bank's branch network continues to be the principal channel through which retail and corporate customers conduct their banking business.

The Bank's UAE branches are based in Abu Dhabi and Dubai. The Bank is the only Omani bank to be granted a full conventional licence to operate in the UAE.

The Bank is in the final stages of closing its operations in Egypt and exiting the country.

The Bank's central operations are responsible for the bulk processing of transactions, and management controls and oversight, as well as the supervision of the Bank's operational controls.

***Call centre***

The Bank's call centre operations are located in Muscat and commenced in 2000. As at the date of this Prospectus, the Bank employs 45 staff in the call centre. The call centre operates on a 24 hour basis and is equipped with the latest technology to serve both retail and corporate customers. It also includes an outbound call team that focuses on cross-selling and marketing.

***Direct sales agents***

Direct sales agents target sales by offering bundled and tailor-made products and services to existing and potential customers. As at the date of this Prospectus, the Bank employs 25 direct sales agents in Oman.

***Internet banking***

In 2000, the Bank became the first bank in Oman to offer internet banking services and it provides online banking services to its corporate and retail customers. The Bank's retail internet banking service (Net@Bank) and corporate internet banking service (@SAMA) include local and international payment transfers, balance enquiries, account statements and segment-specific services.

***ATMs and CCDMs***

As at the date of this Prospectus, the Bank has a network of 209 ATMs and CCDMs across Oman which operate on a 24 hour basis.

***Mobile banking***

In 2011, the Bank became the first bank in Oman to implement mobile banking services. In 2015, the Bank introduced iOS and Android mobile phone applications to facilitate mobile banking.

***SMS banking***

In 2003, the Bank became the first bank in Oman to implement SMS banking. Customers may choose to receive SMS text message alerts for transactions and request other information such as their account balances without charge.

These alternate distribution channels are particularly important to the Bank as its customers become more reliant on technology and less reliant on branches.

**Compliance**

The Bank proactively manages its compliance risk in line with the Bank's compliance culture. The Board and senior management endeavour to ensure the Bank's operations and business conduct are consistent with the compliance and financial crimes laws and regulations of Oman and of other international locations in which the Bank operates. The Bank is committed to following high standards with regard to AML, CFT, KYC and sanctions compliance. It involves, but is not limited to, compliance with the standards promulgated by the Financial Action Task Force ("**FATF**") in its 40 recommendations, AML/CFT laws and regulations issued by the CBO and the CMA and international and local regulatory authorities of all jurisdictions in which the Bank operates. The Bank fosters a culture of compliance which is seen internally not only as a requirement of law but also as an ethical business practice.

The Bank's compliance division has dedicated compliance specialists in place with regards to the Bank's business operations and the team plays a pivotal role in the review of the Bank's policies, procedures, services and products to ensure compliance with applicable laws and regulations as well as reviewing functions across the Bank, based on a risk-based methodology. In addition to that, the Bank's compliance division supports business to follow all necessary KYC / due diligence requirements by adopting an effective risk based approach to manage financial crime compliance risks towards:

- achieving compliance with applicable regulatory AML and CFT requirements;
- having appropriate and effective processes and controls to deter the use of the Bank's products and services to facilitate money laundering and terrorist financing;
- mitigating potential compliance, regulatory and reputational risks associated with infringements of applicable AML/CFT regulations;
- promoting employee awareness to deter, detect and report financial crime risks;
- assisting the Bank and stakeholders on the implementation of regulations/circulars and periodical reporting to the CBO by providing a regulatory advisory function; and
- providing reasonable assurance about the level of compliance in selected units under review through a strong review and monitoring function along with a quality assurance framework in place.

The Bank has a state of the art solution to support its anti-money laundering process, which has enhanced the Bank's ability to conduct trend analysis and detect, monitor and report suspicious transactions. The Bank also provides training to staff to ensure that they are able to effectively implement the Bank's anti-money laundering and anti-terrorism financing policies and procedures. Employees are required to undertake centralised, on-the-job and e-learning training programmes, as appropriate.

**Property**

The Bank's principal premises and equipment include the Head Office building in Oman which was capitalised in 2017. The net book value of properties and equipment was RO 57.6 million as at 30 September 2022, of which land and buildings have a net carrying value of RO 48.6 million.

**Information Technology**

The Bank's IT division is responsible for formulating the Bank's IT strategy, executing that strategy and the delivery of all IT services for the Bank. In alignment with the Bank's overall strategy, the Bank's IT strategy is focused on the following key themes:

- digital transformation focused on digital sales and services enabling a superior customer experience at digital touch points;
- becoming a leader in payment services for retail and corporate customers;
- developing innovative products and services supporting revenue growth, low cost liabilities, fee income and enabling its five year business aspiration to have leading market shares for transaction banking, payments and lending;
- enabling end to end automation and straight through processing to achieve operational efficiency;
- leveraging data to enhance the customer offerings and asset quality via advanced analytics, big data and artificial intelligence (AI);
- developing a market-leading workforce by nurturing talents for new skill sets, fostering innovation and developing an agile delivery model to support the Bank's business strategy;
- leveraging the cloud to scale and develop high resilience of the Bank's technology infrastructure;
- building initiatives such as business continuity management to ensure that the Bank effectively manage a crisis situation, for example conducting evacuation drills and testing critical systems and applications from the disaster recovery site. The Bank has the capability to ensure that critical banking processes are tested to ascertain availability during such incidents; and

- enhancing its cyber security through periodic external penetration testing and reviews of security controls including application security, ATM, Kiosk and digital channels security. Information security is an essential component of the Bank's operational risk management. The Bank has implemented the latest security infrastructure such as next generation firewalls, intrusion prevention systems and anti-virus software. Periodic vulnerability assessments are conducted to ensure the security of the systems.

The Bank relies on IT to help it:

***Develop compelling solutions***

For example:

- The Bank continuously launches innovative banking products for its customer segments to allow customers to achieve their financial and lifestyle goals such as investment banking products with SIP features, insurance products, trade and transaction banking products, cards products such as prepaid cards for various purposes (including travel and family) and easy payment plan on credit cards.

- Its enhanced remittance corridors through partnerships with MoneyGram and Master Card.

- The Bank enabled seamless banking solutions to facilitate real time account opening and transactions between Oman and the UAE using the Bank's branches and e-channels.

- The Bank has an enhanced point of sale ("**POS**") value proposition with Diners acquiring, dynamic currency conversion and Union Pay acceptance and increased its market share of POS acquiring. The Bank also launched both a "mobile POS" offering to customers based on their needs, and a merchant app for QR-based transaction acceptance.

- The Bank continuously enhances and upgrades its technology solutions to enable it to offer the latest products and services.

***Data, Intelligence, Architecture and Infrastructure***

For example:

- The Bank's IT architecture is aligned to its strategic objectives of adopting latest technology trends with emphasis on building capabilities on CX, open API, big data, artificial intelligence and intelligent process automation leveraging robotic process automation.

- The Bank is focused on investing in a platform for consolidation of different applications that optimise cost and skill sets.

- The Bank is focused on leveraging data for context based marketing, cross-selling products to the right customers using big data and artificial intelligence. The Bank also extensively uses analytics and models for risk management such as real time fraud detection for payments.

- The Bank continuously enhances its security operations and is certified for "ISO 27000", "QMS 9001" and currently "PCI DSS" Certified.

- The Banks hosts a tier 3 data centre for its technology infrastructure and its information security systems are continuously enhanced to mitigate information security risks.

***Develop a market-leading workforce***

As part of its IT strategy, the Bank continues to focus on adding resources with the skill sets required for the digital age including in the area of digital, mobility, CX, UI/UX and data science. The Bank continues to invest in its resources for building in depth technical competencies.

### Insurance

The Bank maintains insurance policies and coverage that it deems appropriate. This includes a financial institution's bankers blanket bond covering standard risks, including employee fidelity, forgery, electronic equipment, professional indemnity and directors' and officers' cover. In addition to these policies, the Bank also has coverage for network and cyber liability insurance. The Bank maintains standard property insurance for all premises and electronic equipment.

The Bank reviews its insurance coverage on an on-going basis and believes its current coverage to be in accordance with industry practice in Oman.

### Litigation

In the ordinary course of its business, the Bank may be subject to governmental, legal and arbitration proceedings. The Bank has an established protocol for dealing with any claims or proceedings. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. As at the date of this Prospectus, although the Bank has certain unresolved legal claims, these are not expected to have any significant impact on the financial performance of the Bank and, except for ordinary norms and practices, no material provision has been made regarding any outstanding legal proceedings.

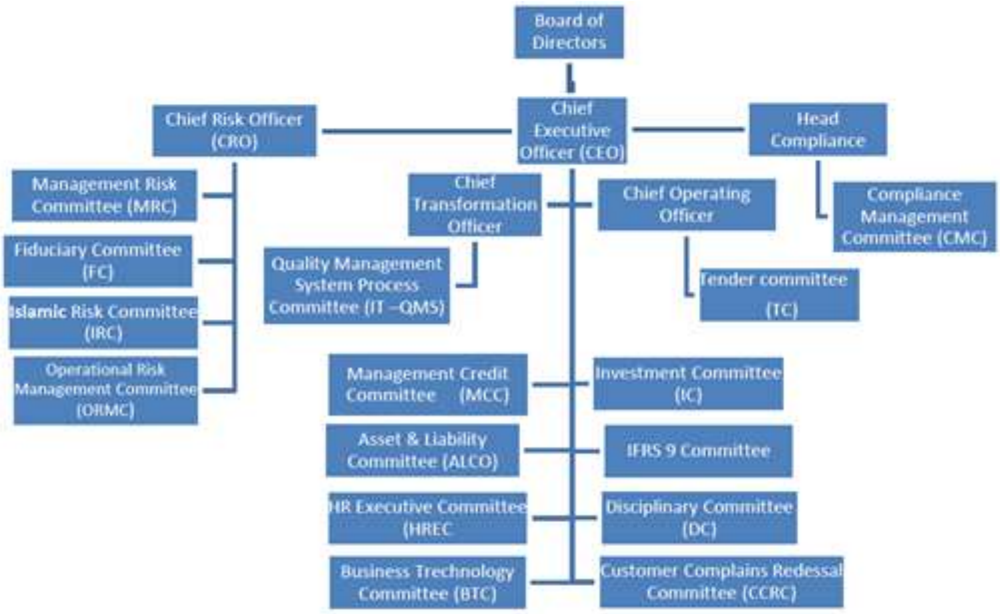
## RISK MANAGEMENT

All of the Bank's revenue-generating activities involve risk-taking, as well as the associated creation of stakeholder value for the Bank. The Bank's aim is to achieve an appropriate balance between risk and return to minimise potential adverse effects on the Bank's financial performance. Risk is also inherent in many internal business processes and systems and as a result of external factors.

The primary objective of risk management is to safeguard the Bank from the various risks it is exposed to. The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and compliance with relevant limits through reliance on information systems.

The principal risks facing the Bank's business are credit risk, liquidity risk, market risk (including foreign exchange risk, interest rate risk and profit rate risk), operational risk (including regulatory and legal risks) and strategic risk. The Bank's risk management policies and procedures are designed to identify and analyse these risks, prescribe appropriate risk limitations, monitor the level and incidence of such risks on an ongoing basis and prescribe appropriate remedial action.

The Bank's governance structure is ultimately supervised by the Board. The Board has established a number of Board committees and management committees to co-ordinate the day-to-day risk management of the Bank. See *"Directors, Senior Management and Employees—Board Committees"* and " *Directors, Senior Management and Employees—Management Committees*". The following diagram sets out the Bank's risk management structure.




**Guiding principles for risk management activities**

The Bank's guiding principles for risk management are as follows:

- ***Approval***: all commercial activities which commit the Bank to deliver risk sensitive products and any business proposals require approval by authorised individuals/levels prior to commitment;
- ***Independence***: clear separation between commercial (the business) and risk management functions;
- ***Transparency***: risk management structures, policies and procedures are transparent and are based on consistent and comprehensive principles, in written form and clearly communicated;
- ***One obligor***: decision authority is determined by the total amount of facilities (one obligor total) and/or (when applicable) capital at risk approved for all entities that form a coherent group based on shareholding and/or management control;

- ***Committees***: decisions regarding policy, product, portfolio and large (or high risk) exposures are taken by appropriate committees duly constituted and empowered by the Board or any other sets of functionaries as determined by the nature and quantum of exposures authorised by the Board or the BRCC;

- ***Conflicts of interest***: members of committees are required to disclose their business relations to ensure that there is no conflict of interest;

- ***Approval authority***: authorities are delegated by the Board through the BRCC to the CEO who is required to delegate these authorities to the various management committees responsible for risk management. The CEO also delegates specific credit authorities to qualified officers of the Bank based on the delegate's experience, credit credentials and qualifications;

- ***Risk proposals***: risk proposals are not approved without at least two authorised individuals forming an agreement within the framework set by an authorised committee;

- ***Risk and reward***: risk and reward from a transaction are borne by the same business unit;

- ***Business responsibility***: business units are responsible for the selection of clients and for managing all of the business activities with their clients within approved limits; and

- ***Source of internal policies:*** these guiding principles are dictated by the policies and guidelines from the CBO and CMA.

The key risks facing the Bank are:

**Credit risk**

Credit Risk is managed in accordance with the regulatory requirements of the CBO. The Bank's risk framework is provided in the Board approved Risk Charter and Credit Policies and Procedures. The policies and procedures are periodically reviewed to ensure alignment to current best practices. Credit exposures are approved by delegated authorities based on delegation by the Board and the BRCC. The delegation of authorities is based on the size of the single obligor exposure, the credit quality (internal, external rating) as well as the level of credit risk mitigation (including collateral and guarantees) for the proposed exposures. For retail exposures, there is delegation of authority for handling exceptions to approved programme lending. Control, monitoring and management of credit exposures and remedial management are done in coordination with respective business units in accordance with established procedures. The risk management framework also includes policies with respect to problem recognition, early warning lists, watch lists, classification parameters and risk rating adjustments. The Bank also undertakes stress testing of its portfolio and potential credit costs in the event of a downgrade or default by its customers.

***Retail credit risk***

The Bank's Retail Credit Risk division manages the credit risk in the retail portfolio. Credit facilities are offered to retail customers primarily based on product programmes approved by the BRCC. The lending criteria for these programmes are regularly reviewed and revised, if required, based on an ongoing analysis of product performance and portfolio credit quality and perceived risk. Credit facilities outside the product programmes are individually assessed by the Retail Credit Risk division and approved in accordance with the delegated authorities.

A review of the Bank's retail credit portfolio is conducted on a monthly basis and provided to the Management Risk Committee, and every quarter the preceding month's report is presented to the BRCC.

Salient areas covered in the review include:

- portfolio review;

- management summary of delinquency and non-performing asset trends (which includes product-wise delinquency analysis, vintage analysis and delinquencies across various credit criteria);

- projects undertaken / fulfilled during the month; and

- recoveries.

Several system enhancements and new processes have been introduced across critical activities to improve processing quality and efficiency, and to enhance the recovery methodologies of the retail portfolio. The Bank's retail lending strategy includes pre-defined lending criteria and continuous monitoring of the portfolio and the Bank has implemented a credit application scoring module for its salary-related loan portfolio to enhance its retail credit risk framework.

***Corporate credit risk***

The Bank's Corporate Credit Risk division is responsible for the independent assessment and control of the risks related to all corporate banking and financial institutions exposures. The SME Credit Risk division independently reviews business banking and SME exposures. The credit risk associated with any corporate financing is assessed based on an analysis of the customer and the industry it operates in. The credit rating acts as a key factor in credit decisions at the time of approval and subsequent credit assessments. Both risk divisions review and assess credit risk for proposed exposures prior to facilities being committed to customers by the concerned business units. Renewals and reviews of facilities are subject to the same process. Each proposal is also assessed with respect to established concentration limits for various economic sectors, countries and risk grades and deviations, if any, are highlighted. The Bank follows a risk-adjusted return of capital model for benchmarking risk pricing and each credit proposal is also assessed based on internal benchmarks of required risk-adjusted returns. The Bank has implemented a customised Moody's risk analyst model for risk rating corporate borrowers and aims to maintain an accurate and consistent corporate credit rating for all its customers. The Bank's Corporate Credit Risk division also provides advice and guidance to business units, for example, the Remedial Management division (which pursues delinquent corporate accounts and manages the Bank's impaired financial asset management), with a view to promoting best practices throughout the Bank in the management of credit risk.

In addition to formal annual credit risk reviews of each corporate facility, more frequent reviews are also undertaken for watch list accounts, early warning accounts, lower rated customers, public companies and large exposures. Further, the Bank continues to undertake quarterly review of financial institutions and country portfolios including stress tests and review of adverse rating migrations and outlooks in line with best practices and regulatory guidelines. The Bank also undertakes a weekly review across all its business segments of early warning accounts which show signs of stress and remedial action is prescribed as necessary.

A comprehensive review of the Bank's corporate credit portfolio is conducted on a quarterly basis and provided to the senior management and the BRCC. Salient areas covered in the review include:

- exposures downgraded/negatively migrated;
- weighted average credit grade profile;
- portfolio concentration / performance;
- position of restructured exposures;
- position of past due exposures;
- exposures secured by equity;
- exposures to real estate and leasing sectors;
- syndicated exposures;
- new relationships;
- exposures to senior members and non-resident borrowers;
- exposures to countries / financial institutions; and
- clean lending and name lending exposures.

***Loan review mechanism***

The Bank has an independent loan review mechanism ("**LRM**") division with a mandate to constantly evaluate the quality of the loan book and the balance between risk and reward and to bring about qualitative improvements in credit administration. The LRM division evaluates the effectiveness of loan administration and the integrity of the credit grading process and assesses the general and specific loan loss provisions and portfolio quality. In addition, the LRM division reviews the effectiveness of the Bank's approved internal controls and procedures to ensure robust and sound practices are being followed by all stakeholders. The LRM division also performs independent *ad hoc* reviews, investigations and assessments as directed by management on areas of concern relating to the credit approval process and/or the analysis processes within the Bank. Significant findings are reported to the CRO, the MRC and potentially to the BRCC where warranted.

***Risk mitigation policies***

The Bank manages limits and controls concentrations of credit risk, in particular with respect to individual counterparties and groups and industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers and on geographical and industry segments. These risks are monitored and reviewed periodically by the MCC and the BRCC.

***Collateral and other credit enhancements***

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is the standard practice. The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

- charges over business assets such as property, inventory and accounts receivable;
- liens on fixed deposits;
- cash margins;
- mortgages over residential and commercial properties; and
- pledges of marketable shares and securities.

The Bank's housing loans are secured by mortgages over the residential property.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for impairment losses.

The Bank's impairment provisions are discussed under "*Financial Review—Total impairment losses on financial instruments (net)* " and "*Financial Review—Financial condition as at 30 September 2022 and as at 31 December in each of 2021 and 2020 —Loans and advances to customers (net)* ".

**Liquidity risk**

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. To limit this risk, the Bank's management continuously looks for opportunities to diversify its funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

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 its liquidity risk based on the CBO guidelines and its Liquidity and Contingency Policies, which are approved and periodically reviewed by the BRCC. The Bank's liquidity risk position is monitored regularly thorough analysis of various reports, such as, maturity of assets and liabilities, liquidity lines, early warning indicators and stock ratios. Further, the Bank also periodically conducts stress tests on liquidity based on market and Bank-specific events in line with Basel Committee recommendations. The liquidity position of the Bank and stress test scenarios are regularly reviewed by the Bank's management and also discussed at the BRCC.

The residual maturities and maturity profiles of the Bank's assets, liabilities and equity, and the calculation of its liquidity coverage ratio, as at 31 December 2021 and 31 December 2020 are set out in Note 32.2 to the 2021 Financial Statements.

**Market risk**

The Bank is exposed to market risk, which is the risk that the fair value of the financial assets held by the Bank will fluctuate because of changes in market prices. Market risk arises from changes in the fair value of open positions held in foreign exchange, interest rates, equity prices and credit spreads. Market risk is managed based on the CBO guidelines and the Bank's market risk policy, which is approved and periodically reviewed by the BRCC. Stress tests are also conducted periodically to analyse the impact of Bank and market specific stress factors on the earnings and capital of the Bank. The results are reviewed by the ALCO, management and Board committees.

The Bank offers hedging products to its customers to hedge their exposures related to interest rate risk, foreign exchange risk and commodity risk. The counterparty credit risk exposures for such transactions (which include interest rate swaps, commodities contracts, currency forwards and options) are assessed based on the positive marked-to-market values of the contracts and the potential future exposures. The Bank has adopted risk weightings in line with best practices being followed by other banks to capture the credit risk related to these off-balance sheet exposures. The Bank does not hold open interest rate risk positions on its swap trade with customers, as it holds corresponding hedges with banks in the market.

***Equity risk***

The Bank's proprietary equity positions are held at fair value through other comprehensive income. The market risk is monitored through daily mark-to-market reports which are circulated to the management and required actions, if any, are promptly taken. The portfolio is also monitored and managed in accordance with the investment policy approved by the BRCC.

***Interest rate risk***

The principal market risk to which the Bank's non-trading portfolio is exposed is the risk of loss from fluctuation in the future cash flows or fair values of financial instruments because of changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities.

The methods for interest rate sensitivity analysis are:

- maturity gap analysis (which measures the interest rate sensitivity of earnings); and
- duration (which measures the interest rate sensitivity of capital).

Interest rate risk is managed by monitoring the sensitivity of the Bank's financial assets and liabilities to various standardised interest rate shocks on a monthly basis. Standardised shocks include 100 basis point and 200 basis point parallel shifts in yield curves. The impact of these shocks is analysed in the context of its impact on earnings and economic value. The impact is compared against internal limits which have been formulated in line with the CBO and Basel Committee guidelines. The analysis is regularly reviewed by management and the BRCC. Note 32.3 to the 2021 Financial Statements illustrates the impact of a 200 basis point parallel shift in interest rates on the Bank's earnings as at 31 December 2021.

In addition, stress scenarios based on specific events or market disruptions are also analysed and presented at monthly ALCO meetings to estimate the impact on liquidity and earnings.

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Bank has established a project to manage the transition for any of its contracts that could be affected. The project is being led by senior representatives from functions across the Bank including the client facing teams, Legal, Finance, Operations, Risk Management and Technology.

IBOR reform exposes the Bank to various risks, including:

- 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 Bank 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 risk free rates are illiquid and unobservable;
- operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available; and
- accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs.

Note 32.3 to the 2021 Financial Statements provides additional information on the Bank's exposure to IBOR reform as well as its interest sensitivity position.

***Currency risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has set limits on open positions by currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits. The foreign exchange positions in the books of the Bank are small residual positions resulting from market coverings for customer transactions.

Foreign exchange value at risk ("**VaR**") is computed monthly for all non-pegged currencies at a 99 per cent. confidence level and a holding period of ten days. Additionally, earnings impact of a 15 per cent. adverse movement in exchange rates for all open positions is factored into the Bank's monthly stress tests.

***Operational risk***

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff training and assessment processes, including the use of internal audit.

Further, the Bank has established an operational loss appetite statement to monitor losses under various operational loss categories and any breaches of set off thresholds are reported to the BRCC. In addition to this, the Bank has an operational loss reporting database.

Information security is an essential component of operational risk management. The Bank has implemented the latest security infrastructure, including firewalls, intrusion prevention systems and anti-virus software. Periodic vulnerability assessments are conducted to ensure the security of the systems.

The Bank has a business continuity framework which allows prompt action in response to any disruptive events to ensure continuity of operations. The Bank has formulated business continuity plans to ensure uninterrupted provision of services to customers during operational disruptions. The MRC routinely ensures business continuity frameworks are aligned with business needs. The Bank's critical systems, applications and individual business units are regularly tested from its disaster recovery sites.

***Legal risk***

Legal risk is the risk of losses occurring due to legal or regulatory action that precludes performance by the Bank or its counterparty under the terms of its contractual agreements. The Bank aims to mitigate this risk through the use of properly reviewed documentation and be seeking appropriate legal advice when appropriate. The Bank has a dedicated Legal Division which deals with both routine and more complex legal issues. Situations of a particular complexity and sensitivity are referred to external firms of lawyers, either in Oman or overseas, as appropriate.

The Bank has also adopted a zero tolerance policy towards fraud and corruption and seeks to take disciplinary and/or legal action against those who perpetrate, are involved in, or assist with fraudulent or improper activities. The fraud risk management unit manages the fraud risk for the Bank at an enterprise level. The unit monitors transactions originating from cards, POS and other digital channels. In addition, the unit conducts fraud risk assessments to assess fraud risk on a pro-active basis, verifies the existing controls and proposes new controls, if required.

***Strategic risk***

The Bank monitors strategic risk through regular quarterly assessment and reporting at the BRCC level. This includes reviews of human resource, economic (both at the macro and micro levels), regulatory/compliance, IT and information security, legal and reputational related risks and the monitoring of strategic project risk arising from initiatives undertaken by the Bank. Furthermore, the Bank has augmented its internal capital adequacy assessment process ("**ICAAP**") to align the business strategy and the capital management processes.

## DIRECTORS, SENIOR MANAGEMENT AND MANAGEMENT COMMITTEES

### Overview

The Bank's board of directors (the "**Board**") is responsible for the overall direction, supervision and control of the business of the Bank. The Board has delegated responsibility for overall executive management to the Bank's senior management team under the leadership of the Chief Executive Officer (the "**CEO**"). The principal role of the Board is to oversee implementation of the Bank's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory structures. The CEO and other members of senior management are responsible for the conduct of the Bank's business affairs and day-to-day management. The CEO regularly reports back to the Board.

The Board meets at least four times a year and is required to have a maximum of 11 members. As at the date of this Prospectus, the Board has 11 members, all of whom are non-executive members and not less than one third of whom are "independent" in accordance with the CMA definition as identified in the revised Code of Corporate Governance which came into effect in July 2016. A majority in number of Directors are required to attend for there to be a quorate Board meeting. A director may appoint another director to represent and vote for him in his absence by proxy. Decisions of the Board are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting. In the event of a split decision, the Chairperson holds the casting vote.

Each Board Member is appointed for a three year term. Upon expiry of such term, each Board Member must present himself to the general meeting of shareholders for re-election. The election or re-election of Board members occurs at the Bank's annual general meeting, pursuant to Omani regulations, in a process overseen by the CMA. The current Board members were elected or re-elected at the Bank's annual general meeting held in May 2020 for a term of three years.

***Board of directors***

As at the date of this Prospectus, the composition of the Board is as follows:

| Name of Director | Position | Year of Appointment | Date of Appointment Expiry | Representing |
|---|---|---|---|---|
| Ms. Amal Suhail Bahwan................................. | Chairperson | 2020 | 2023 | Suhail Bahwan Group (Holding) |
| H.E. Sheikh Abdulla bin Ali bin Jabor Al Thani ...................................................................... | Deputy Chairman | 2020 | 2023 | Commercial Bank |
| Mr. Rahul Kar ................................................. | Director | 2020 | 2023 | Himself |
| Mr. Fahad A.R. Badar ...................................... | Director | 2020 | 2023 | Himself |
| Mr. Joseph Abraham ........................................ | Director | 2020 | 2023 | Himself |
| Mr. Nabil Al Mahrouqi .................................... | Director | 2021 | 2023 | Public Authority for Social Insurance |
| Mr. Hamad Mohammed Al Wahaibi ................ | Director | 2020 | 2023 | Himself |
| Mr. Mohammed Ismail Al Emadi.................... | Director | 2020 | 2023 | Himself |
| Mrs. Najat Ali Al Lawatia ................................ | Director | 2020 | 2023 | Civil Service Pension Fund |
| Mr. Said Hilal Al Habsi.................................... | Director | 2020 | 2023 | Himself |
| Dr. Ghazi Nasser Al Alawi............................... | Director | 2020 | 2023 | Himself |

The business address of all of the members of the Board is New Head Office, Azaiba, Muscat, P.O Box 751, P.C 112, 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. No members of the Board hold any shareholdings in the Bank.

The Bank's Code of Conduct (the "**Code**") covers the conduct of members of the Board. The Code binds signatories to the highest standards of professionalism and due diligence in the performance of their duties. It also covers conflicts of interest, disclosure and the confidentiality of insider information.

Members of the Board are bound by specific regulations relating to insider trading and are required to disclose details of their shareholdings in the Bank.

Certain members of the Board, their families and companies of which they are principal owners are customers of the Bank in the ordinary course of business. The transactions with these parties are made on the same terms, including interest rates, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk (see "*Selected Financial Information—Related Party Transactions*").

***Biographies of the Board***

**Ms. Amal Suhail Bahwan, Chairperson**
*Chairperson of the Executive, Nomination and Remuneration Committee ("**ENRC**")*

Ms. Amal Suhail Bahwan is the Vice Chairperson of Suhail Bahwan Group Holding LLC and has been a Board member since 2016. She has extensive experience in managing companies across the Bahwan Group since 1998.

She is also the Chairperson of the Board and the Nomination and Remuneration Committee of Al Jazeera Steel Products Co. SAOG and a director and a Board Executive Investment Committee member of Oman Oil Marketing Co. SAOG.

Ms. Amal has a Bachelor's degree in Education and a Master's degree in Administration from the Sultan Qaboos University, Oman.

**H.E. Sheikh Abdulla Bin Ali Bin Jabor Al Thani, Deputy Chairperson**
*Member of the ENRC*

H.E. Sheikh Abdulla bin Ali bin Jabor Al Thani has been a Director of the Bank since July 2005 and serves as a member of the ENRC. His Excellency is the Chairman of Commercial Bank in Qatar, a member of the Board of Directors for United Arab Bank, PJSC in the UAE and is the owner of Vista Trading Company (Qatar), a partner in Integrated Intelligence Services Company (Qatar), a partner in Al Aham Company (Qatar) and a partner in Smart Light and Control Company, Doha (Qatar).

H.E. Sheikh Abdulla bin Ali bin Jabor Al Thani holds a Bachelor of Arts Degree, BA in Social Science from Qatar University.

**Mr. Hamad Mohammad Hamood Al Wahaibi, Director**
*Chairperson of the Credit Committee of the Board ("**CCB**") and member of the ENRC*

Mr. Hamad Mohammad Al Wahaibi has been a Director of the Bank since March 2014. He has more than 20 years of experience in areas of investment, asset management, business development and the financial sector. He has been a director of investment with the Ministry of Defense Pension Fund. Mr. Al Wahaibi is also a member of the Boards of Renaissance Services Company and Oman Flour Mills Company.

Mr. Al Wahaibi holds a Masters of Business Administration degree, specializing in Finance. He is a Chartered Financial Analyst (CFA) charter holder, Chartered Alternative Investment Analyst (CAIA) charter holder, and has a Certificate in Investment Performance Measurement (CIPM).

**Mr. Mohammed Ismail Mandani Al Emadi, Director**
*Member of the CCB*

Mr. Mohammed Ismail Mandani Al Emadi has been a Director of the Bank since November 2014. He is also a member of the Board of Commercial Bank, a member of the Board of Alternatifbank AS (ABank), Turkey and a Member of the Board of Governors at Sidra Medicine. He has over 30 years of banking experience. Mr. Al Emadi held a number of key roles at Commercial Bank until 2006, after which he served as Chief Executive Officer of Qatar Real Estate Investment Company QSC up to 2011, and also served as its Director from 2003 until 2005.

Mr. Al Emadi has a Bachelor of Arts Degree in Business Administration and Economics from Holy Names University, California, USA.

**Mr. Rahul Kar, Director**
*Member of the Board Audit Committee ("**BAC**") and Board Risk and Compliance Committee ("**BRCC**")*

Mr. Rahul Kar has been a Director of the Bank since April 2016. Mr. Kar is a Chartered Accountant and the Financial Advisor to the Chairman of Suhail Bahwan Group Holding LLC.

Mr. Kar is a director and an Audit Committee member of Al Jazeera Steel Products Co. SAOG. He is also a director and Nomination & Remuneration Committee member of Oman United Insurance Company SAOG.

**Mr. Fahad Badar, Director**
*Chairperson of the BRCC and member of the BAC.*

Mr. Fahad Badar has been a Director of the Bank since May 2016. He is also a member of the Board for United Arab Bank, PJSC in the UAE since July 2016.

Mr. Badar's career at Commercial Bank in Qatar spans over 20 years. Prior to his current role as Executive General Manager, International Banking, he held a number of key roles in the international banking, the government and public sector relations and the wholesale banking divisions.

Mr. Badar holds an MBA from Durham University, UK, and a Bachelor of Arts Degree, BA in Banking and Finance from the University of Wales.

**Mr. Nabil Al Mahrouqi, Director**
*Member of the BRCC*

Mr. Al Mahrouqi joined the Bank's Board as a representative of the Public Authority for Social Insurance ("**PASI**") in March 2021 and is currently the head of the local and GCC investments in PASI. He has more than 12 years of experience in investment in international financial markets, management and financial analysis and research. Before joining PASI in 2012, he worked at Sultan Qaboos University and the Omani Encyclopedia project. He is currently a member of the Board of Directors of Oman Chlorine Company (and a member of its Remuneration and Nomination Committee), Muscat National Development and Investment Company (ASAAS) (and the Chairman of its Audit Committee) and Al Maha Petroleum Products Marketing Company.

Mr. Al Mahrouqi holds a Bachelor of Science (BSc.) degree in Finance from Sultan Qaboos University, Oman. He also has a brokerage license from the Muscat Securities Market and is a certified analyst in Financial Analysis and Financial Modeling (FMVA) from the Corporate Financial Institute (CFI).

**Mrs. Najat Ali Al Lawatia, Director**
*Member of the CCB and the ENRC*

Ms. Najat Ali Al Lawatia has been a Director of the Bank since March 2017. She holds a Bachelor's degree in Accounting. She is the Deputy Director General for Support Services with the Civil Service Employees Pension Fund and has more than 24 years of relevant experience. She has attended various courses in diverse fields of financial management, audit and investments.

Ms. Najat also represented the Civil Services Pension Fund in various listed and private companies and is currently a Director of Oman International Development and Investment Co. (SAOG).

**Mr. Joseph Abraham, Director**
*Member of the ENRC and the CCB*

Mr. Abraham was appointed as a Board Member in May 2018. Mr. Abraham is the Group Chief Executive Officer of Commercial Bank as well as Vice-Chairman of the Board of Directors of Alternatif Bank and a Board Director of the United Arab Bank, UAE. He has extensive banking experience across both developed and emerging markets.

Before joining Commercial Bank in June 2016, he was CEO of ANZ Indonesia (Australia and New Zealand Banking Group) based in Jakarta, a position he served in from 2008 to 2016.

Mr. Abraham has an MBA from the Graduate School of Business, Stanford University, California, and has worked in Indonesia, Singapore, Hong Kong, Ghana, UK and India in various country and regional banking roles, with a successful track record covering general management, corporate banking, strategy, product management, acquisitions and integrations. Mr. Abraham was appointed as a board member of Alternatif Bank in December 2016.

**Mr. Said Hilal Al Habsi**
*Chairperson of the BAC*

Mr. Al Habsi has extensive industry experience in finance and investments, and has spent a considerable amount of time in two of the most prestigious investment funds in Oman. He is an Investment Director at Oman Investment Authority (OIA) and is also a Board member of Salalah Mills SAOG and Ubhar Capital SAOC.

Previously, he worked for Oman Investment Fund (OIF) and the Ministry of Defense Pension Fund holding various senior posts in the investment and finance fields. With experience of more than 20 years, Mr. Al Habsi has extensive knowledge of global financial markets and investments.

Mr. Al Habsi is a certified professional accountant and holds an MBA and a Bachelor's degree in Finance. He has attended specialised executive management development programmes at international institutes of worldwide repute including IMD, Columbia Business School and Cambridge University Judge Business School. He has also participated in the National Leadership Programme that is organised by Royal Diwan Court in Oman.

**Dr. Ghazi Nasser Al Alawi**
*Member of the BRCC and the BAC*

Dr. Al Alawi has five years of experience in the financial sector where he was the member of the Board in Bank Sohar International. He is also a member of Board in Oman Casting Aluminium, Dunes Oman and Muscat Horizons International.

Dr. Al Alawi has a PhD in Entrepreneurship from the University of Plymouth - UK.

**Board Committees**

The Bank has the following Board committees:

***Board Audit Committee (BAC)***

The BAC comprises four Board members, three of whom are independent (being the majority as required by the law). The BAC meets at least four times a year and met eight times in 2021. The BAC's Charter, which specifies the responsibilities and authorities of the committee, is approved on an annual basis by the Board.

The BAC's Charter specifies that the committee is responsible for assisting the Board in the discharge of its regulatory oversight obligations on financial and accounting matters. It monitors the appropriateness and integrity of the published financial statements and the annual report of the Bank on behalf of the Board, including the review of significant accounting judgments and estimates contained in them. The BAC approves the terms of engagement of external auditors, receives the auditors' reports, agrees the scope of the external audit and ensures the effectiveness of the Bank's audit process in consultation with the external auditors. The BAC's recommendations regarding the appointment of external auditors are presented to the Board for formal approval at the Board's annual general meeting. It reports back to the Board on the audits undertaken by the external auditors and the Bank's internal auditors, the adequacy of disclosure of information and the appropriateness and quality of the Bank's finance and accounting management systems. The BAC is also responsible for directing and supervising the activities of the Bank's internal audit function.

***Credit Committee of the Board (CCB)***

The CCB comprises four members of the Board and meets as and when there is a business need, which is typically once per month. The CCB met 13 times during 2021. The CCB is responsible for overseeing the risk management framework for controlling credit risk arising from the operation of the Bank's business segments. The responsibilities of the CCB include reviewing and approving specific transactions up to the Bank's permitted risk limits. This includes the approval of the Bank's underwriting exposures and sales of the Bank's participations. It also monitors risk assets by analysing portfolio trends such as higher risk assets and exposures and monitoring the management of the Bank's recovery strategies for problem loans and considering the adequacy of the Bank's provisioning framework. On at least a quarterly basis, the CCB reviews management's reports of Bank-wide portfolio risk trends, such as increased risk assets and exposures.

*Board Risk and Compliance Committee (BRCC)*

The BRCC comprises four members of the Board and meets at least four times a year. The BRCC met six times in 2021. The BRCC's terms of reference set out the responsibilities of the committee. The main responsibilities of the BRCC include the identification and review of Bank risks, as well as the establishment and on-going monitoring of risk policy, risk limits and risk management. It is also responsible for reviewing, assessing and monitoring the Bank's compliance activities and overall performance with respect to key legislative and regulatory requirements.

The BRCC formulates the overall risk management strategy for the Bank, including the implementation of the risk charter, which is presented to the Board for approval on an annual basis. The key responsibilities of the BRCC include setting policies relating to all risk issues and maintaining oversight of Bank risks through the Management Risk Committee. The BRCC is required to establish an appropriate credit risk environment. This involves considering the strategic risks facing the Bank and recommending proposals to mitigate such risks to the Board. The BRCC is also required to monitor and manage the Bank's operational risk, interest rate risk, liquidity risk, market risks (including foreign exchange), as well as reputational, legal and accounting risk, and their impact on the Bank's financial performance. It also approves credit loss write-offs which are over the limits prescribed for senior management approval. The BRCC is also responsible for monitoring the management of the Bank's recovery strategies for problem loans, as well as the adequacy of provisioning parameters. It regularly reviews stress scenarios to measure the impact of unusual market conditions and monitors variances between the actual volatility in portfolio values and levels predicted by the risk measures. The BRCC also conducts an annual review of all asset and liability product strategies which include, but are not restricted to, all retail credit and deposit products, treasury and investment products and any other non-standard products relating to corporate banking. The BRCC establishes risk tolerance levels and portfolio limits including limits associated with industry sector, geography, asset quality and others, as appropriate.

The BRCC has direct oversight over specific credit policy issues including the development and ongoing monitoring of credit rating models, country limits, concentration issues, loan review mechanism and classification policy for loans and provisioning policy and the approval of new product strategies, which have credit implications for the Bank. It also conducts periodic reviews of the Bank's credit risk rating methodology and the appropriateness of risk ratings.

Additionally, the BRCC's responsibilities include but are not limited to the following:

1. Build and promote compliance culture.

2. Review, assess and monitor the Bank's compliance activities and overall performance with respect to key legislative and regulatory requirements.

3. Discuss with senior management the outcome of the monitoring and reviews programme in assessing the overall adequacy and effectiveness of the Bank's legal, regulatory and ethical compliance framework.

4. Review significant compliance risk areas and the steps management has taken to monitor, control, and report such compliance risk exposures.

5. Highlight key concerns related to CBO examination reports and discuss status of issues raised.

6. Review the implementation of a risk-based approach for a robust and effective AML/CFT programme.

*Executive, Nomination and Remuneration Committee (ENRC)*

The ENRC comprises five members of the Board and meets at least four times per year. The ENRC met five times in 2021. The ENRC's terms of reference, which is approved by the Board on an annual basis, set out the responsibilities of the committee.

The ENRC is responsible for the development of the Bank's long term strategy and the furtherance of the Board's stated goals (see "—*Strategy*"), as well as the review of the Bank's performance compared to those goals. Its analysis is based on the prior, current and projected economic, market and regulatory environment. It also reviews the Bank's annual financial budgets and business plans and submits them for review by the Board. The ENRC is also responsible for oversight of the Bank's investment banking operations.

The ENRC analyses the Bank's proposals for capital raising and presents recommendations to the Board for approval. It also produces the Bank's dividend policy and recommends dividend distribution levels to the Board. It is also responsible for managing Bank-wide compensation and benefits policies and presents recommendations to the Board for approval.

The ENRC also adopts a transparent method in preparing the nomination policy, targeting directors of high competence and calibre, without prejudice to the right of any of the shareholders to stand for election or to nominate whoever they see fit.

The ENRC is responsible to look for and nominates qualified persons to act as interim directors on the board in the event a seat becomes vacant.

**The Shari'a Supervisory Board ("SSB")**

The appointment of the SSB was approved at the Bank's Extraordinary General Meeting in June 2012 and new members were appointed at the Bank's AGM held on 30 March 2021. The SSB ensures, through a comprehensive *Shari'a*-compliance framework, that the Shari'a Board's decisions are strictly followed. The SSB reviews product papers, structures, policies and legal agreements. It provides decisions on matters and issues relating to Shari'a related matters, including an opinion on the overall *Shari'a* compliance of the Islamic banking window of the Bank.

The SSB meets at least four times a year. The SSB comprises a minimum of three members, one of which is elected as the Chairman. In the event that the Chairman is unable to attend a meeting, the other two members shall elect one of them to act as alternate chairman to preside over the meeting. Any meeting of the SSB requires a quorum of two members. Decisions of the SSB are by way of a simple majority.

The Head of *Shari'a* Department acts as secretary of the SSB and records and retains minutes of the SSB meetings.

***Biographies of SSB members***

**Mufti Dr. Mohamed Zubair Usmani (Member and Chairman)**

Mufti Dr. Muhammad Zubair Usmani completed his Doctorate in Islamic Finance form Karachi University.

He is also the Fazil Takhassus (specialist of Islamic Fiqh and Fatawa) from Jamia Darul Uloom Karachi and a research scholar and teacher. He holds a PhD in Islamic Finance from the University of Karachi, Karachi, 2001. He has been Ustad Ul Hadeeth & Fiqh Jamia Darul Uloom Karachi since 1989. He is a member of the Shariah Advisory Forum (SAF) and the Central Bank of Pakistan; Chairman of the Sharia Board of Habib Bank Limited – Islamic Banking Group; a member of the Sharia Board of the Accounting and Auditing Organization for Islamic Financial Institutions ("**AAOIFI**") Bahrain Pakistan Wing; a Shariah advisor to Adamjee Life Takaful and Askari Takaful, Pakistan; and a member of the Executive Committee of the Center for Islamic Economics, Karachi.

**Sheikh Dr. Abdulrahman Abdullah Al-Saadi – Member**

Dr Abdulrahman obtained a PhD in Business Administration in Islamic Finance from Imam Mohammad Bin Saud Islamic University, Saudi Arabia. He has been serving as an Assistant Professor in the Islamic Banking Department of the University of Bahrain since 2013. He holds an advisory position with AAOIFI and is Rapporteur for its Shari'ah Board; is a member of the Sharia boards of NBF Bank in the UAE and JEQUITY PARTNERS in Bahrain; is a member of the Islamic Banking Shariah Practitioners Forum in the UAE; and is Orator, Ministry of Islamic Affairs in Bahrain.

**Sheikh Saleh Al Kharusi (Member)**

Sheikh Saleh Al Kharusi is the director of the Notary Public Office in the Ministry of Justice and Legal Affairs in Oman and a part time lecturer in the Institute of *Shari'a* Sciences in Oman. He obtained a bachelor's degree in *Shari'a* law from the Institute of *Shari'a* Sciences in Oman in 2008. He completed a master's degree in financial transactions from Sultan Qaboos University in 2016.

**H.H Sayyid Dr. Adham Turki Al Said (Non-voting member)**

H.H. Sayyid Dr. Adham Turki Al Said has a PhD in economics from the University of Western Australia, Australia in 2011 and a master's in economics from New York University, USA in 2002. His Highness is an assistant professor of economics at Sultan Qaboos University, partner at the Firm for Business and Economic Consulting and the chairman of the board of trustees of the Scientific College of Design in Oman.

**Senior management**

In addition to the Board members, 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 in NBO Head Office, Azaiba, Muscat, P.O Box 751, P.C 112, Oman. No member of the senior management has any actual or potential conflict of interest between his duties to the Bank and his private interests and/or duties.

***Biographies of the senior management***

*Abdullah Zahran Al Hinai - Chief Executive Officer*

Mr. Abdullah Zahran Al Hinai is the Chief Executive Officer of the Bank. Having held a number of senior management positions in the banking sector, he is an industry veteran with over two decades of experience. Prior to his current role, he was the Chief Wholesale Banking and Strategic Growth Officer at a leading financial institution, and was credited for setting up the organisation's Strategic Growth function and designing a number of ground-breaking transactions in both investment and commercial banking.

Mr. Al Hinai serves as a board member of Oman Banks Association, Oman Urban Development Company Oman, OITPF-Wave Oman and GCC Properties Income Fund, as well as being a member of the investment committee of Izdihar Real Estate Fund. He has also held several board memberships across various industries including manufacturing, investment and urban development.

Mr. Al Hinai holds an Executive Masters in Business Administration from the International Institute for Management Development ("**IMD**") in Lausanne, Switzerland, a Postgraduate Diploma from Manchester Business School, UK, and a B.Sc. in Business Administration from Boston University, USA. He also attended the Advanced Management Programme at INSEAD, Fontainebleau, France, the General Management Programme at Harvard Business School, Boston, MA, USA, and is a holder of Chartered Financial Analyst designation as well as being a Certified Public Accountant.

*Tariq Atiq – Chief Retail and Digital Banking Officer*

Mr. Tariq was appointed as the Chief Retail and Digital Banking Officer of the Bank in April 2021. Mr. Tariq has more than 25 years of experience and a strong track record in Retail, Corporate, Cards and e-banking.

Mr Tariq is a subject matter expert in electronic banking channels and is credited with having lead various digital transformation initiatives and projects in both the retail and corporate sectors, including Oman's first e-commerce gateway. Mr Tariq holds a B.Sc. in Business Administration from Arkansas State University, USA, and an Executive Master of Business Administration in "Leading Digital Transformation" from HEC Paris, France.

*Giridhar S Varadachari – Chief Financial and Operating Officer*

Mr. Giridhar S Varadachari was appointed Chief Financial Officer of NBO in January 2021. He has more than three decades of experience in the financial services industry leading financial institutions across Asia, the Middle East, Africa and the UK. Mr. Varadachari worked with Ernst & Young in Bahrain before he joined Standard Chartered Bank, where he worked for two decades. During this time he held senior leadership positions within the operations and finance functions, including six years as Director Finance of PT Bank Permata in Indonesia. Most recently he worked with HSBC for over five and a half years and provided leadership to a large portion of their finance function.

Mr. Varadachari obtained his bachelor's degree in commerce from Madras University. He is a qualified Chartered Accountant and holds a master's degree in business administration from Henley Management College in the UK.

*Sulaiman Said Al Lamki - Chief Risk Officer*

Mr. Sulaiman Said Al Lamki was appointed Chief Risk Officer of the Bank in September 2021. He has over 25 years of experience in global financial institutions including HSBC and RBS Group. Mr. Al Lamki has held leadership roles covering Risk Management, Structured Finance, Financial Accounting Standards and Audit Assurance. He started his career at KPMG and is a UK qualified chartered accountant. He has also attended executive leadership programmes at IMD and other renowned institutes.

*Hassan Abdul Amir Shaban - Chief Government Banking and Alliances Officer*

Mr. Hassan Abdul Amir Shaban joined the Bank in 2004. He has more than 20 years of wide-ranging experience of government banking, communication, public relations, marketing and branding, wealth management and financial services with organisations like Commerzbank – Zurich and Majan International Bank. Mr. Shaban worked in the diplomatic field as the Omani commercial attaché in South Africa between 1993 and 1995, and in Taiwan between 1995 and 1997. He is a fellow of the Institute of AMBA Association in UK, and obtained a master's in business administration in general management from the University of Nottingham, UK. He has extensive relationships with local and regional key institutions.

***Management Committees***

The following are the key delegated committees of the Bank's senior management:

*Management Risk Committee ("**MRC**")*

The MRC is responsible for reviewing and approving the Bank's key risk management policies. It provides recommendations to the BRCC and to other Board committees, as appropriate, on all risk policy and portfolio issues.

The MRC makes Bank-wide risk strategy recommendations for the consideration of the BRCC, such as suggested credit strategy changes, the development of the Bank's risk policy framework, changes to the risk tolerance levels and portfolio limits (with reference to industry sectors, geography and asset quality) and the development of risk policies relating to interest rate and liquidity gaps, hedging strategies and foreign exchange ratio targets. It also oversees the development of the Bank's risk charter and makes recommendations to the BRCC relating to amending the risk charter. The MRC is also responsible for overseeing the annual and ongoing reviews of the Bank's asset and liability products within the Bank's risk policy framework. It undertakes regular stress scenario reviews to measure the impact of unusual market conditions and adjusts the Bank's stress scenario models, as necessary.

The MRC is also responsible for the ongoing monitoring and updating of the Bank's:

- regulatory and legal compliance, including anti-money laundering policies;
- credit portfolio in line with the regulatory requirements in the jurisdictions in which the Bank operates and monitoring the Bank's credit policy issues, such as country limits, concentration issues, the Bank's loan review mechanism and the classification policies for loans and provisioning; and
- external and internal high and medium-risk audit issues.

*Management Credit Committee ("**MCC**")*

The MCC is responsible for overseeing the risk management framework for controlling credit risk and approving transactions with retail and corporate customers. The MCC also presents transaction approvals to the CCB for credit exposures to corporate, retail and financial institution customers, including underwriting commitments exceeding its authority level. The MCC meets weekly or more frequently if required.

*Asset & Liability Committee ("**ALCO**")*

The ALCO is responsible for managing the Bank's asset and liability management and market risk issues, including the formulation of the Bank's key financial indicators and ratios, setting the thresholds for management of the Bank's balance sheet risks (such as market risk and liquidity risk) and monitoring and analysing the sensitivity of the Bank's funding mismatches, capital ratios and currency positions. The

ALCO monitors and manages the Bank's balance sheet projections, business division plans and the resultant net interest income margins and growth. The ALCO meets on a monthly basis. The Bank has also established a separate Islamic banking ALCO to oversee Islamic asset management and liability management.

*Investment Committee*

The Investment Committee is responsible for managing the Bank's proprietary investment portfolio to achieve optimal returns whilst complying with regulatory limits and the Bank's internal investment policies.

The Investment Committee reviews portfolio performance and ensures that the portfolio adheres to the Bank's Proprietary Portfolio Policy Guidelines and the CBO limits on the Bank's proprietary investments in local as well as foreign securities across various asset classes. These limits are based on the Bank's net worth. The Investment Committee has the authority to approve investments in securities within the limits set in the investment policy of the Bank. The investment policy of the Bank defines the investment objectives of the Bank and provides internal limits for each asset class in addition to limits imposed by CBO regulations and other applicable laws. It encompasses all regulatory limits and internal limits across securities, sectors and asset classes with the aim of reaching optimal risk adjusted returns over the long term. The day to day management of the Bank's proprietary portfolio is undertaken by the Bank's Investment Banking Division.

*Islamic Risk Committee ("**IRC**")*

The IRC is responsible for the management of risk related issues in connection with the Bank's Islamic finance operations. The IRC provides recommendations on all risk policy and portfolio issues to the BRCC and to other committees, as appropriate.

*Operational Risk Management Committee ("**ORMC**")*

The ORMC is responsible for the management of the Bank's operational policies and procedures. The ORMC oversees the management of the Bank's operational risk exposures in line with the operational risk management framework which has been approved by the BRCC and the MRC. The ORMC sets the Bank's operational risk standards and monitors and assesses internal and external operational risk issues which it reports to the BRCC and/or the MRC, along with suggested corrective and risk mitigation actions for approval by the relevant committee. The ORMC provides the Bank's management with a forum to monitor and manage operational risk control lapses, such as fraud or regulatory non-compliance and to formulate remedial actions to prevent future lapses.

*Management Fiduciary Committee ("**MFC**")*

The MFC is responsible for supervising the proper exercise of fiduciary powers within the Bank, as well as assessing the adequacy of the Bank's ethical standards, strategic plans, policies and control procedures, management, staffing, systems and facilities. The MFC provides guidance relating to the types of fiduciary services offered or to be offered by the Bank.

*Compliance Management Committee ("**CMC**")*

The CMC is responsible for fulfilling its objective of overseeing the Bank's regulatory responsibilities, including ensuring the compliance with applicable banking laws and regulations issued by various regulatory authorities. The Bank's Compliance division is involved in managing and advising on compliance requirements and activities to ensure that compliance risk is managed effectively. There is oversight of the Bank's international branches through a dedicated compliance team operating through a local office. The CMC is also responsible for ensuring the establishment of a robust 'Regulatory Compliance and Financial Crime Compliance Framework' for the Bank. The main responsibilities of the CMC are listed below:

- ensure the establishment of a robust regulatory compliance framework and financial crime compliance framework for the Bank;
- develop, conduct and periodically manage an enterprise wide risk assessment of the Bank for regulatory compliance and financial crime compliance;

- assess and verify the proper implementation and effectiveness of the AML/CFT framework across the Bank;
- advise employees on any regulatory compliance or financial crime matters to meet their business needs as required;
- assess the appropriateness of the regulatory compliance and financial crime training programme and oversee the implementation of the programme for the Bank; and
- highlight key concerns related to the CBO's examination reports and discuss the status of any issues raised.

*Business Transformation Committee ("**BTC**")*

The BTC is entrusted to provide an organised means to govern, manage and achieve the Bank's business transformation goals. The BTC should ensure that the pro-active identification of material risks of any nature originating out of the delivery of the transformation is appropriately assessed and reported to the designated management. The committee is mandated to oversee the execution and review the performance of the transformation initiatives of the Bank. The committee shall recommend to the Board an annual plan highlighting the select transformational initiatives and an estimated capital investment requirement. The committee shall meet at least two times per year, or more frequently as circumstances may require.

*Tender Committee*

The Tender Committee evaluates and approves tenders / procurement of goods, services and projects in line with the Procurement Policy of the Bank. The Tender Committee meets once a month or as and when a need arises.

**Employees**

The total number of the Bank's employees as at 30 September 2022 was 1,432 compared to 1,470 as at 31 December 2021 and 1,574 as at 31 December 2020.

The Bank is committed to the training and development of new and existing staff in order to ensure that the Bank continues to be supported by the skills required for its planned growth. This includes the establishment of both internal and external training programmes for all staff members. The Bank is in compliance with current Omanisation policy issued by CBO (see "*Oman Banking System and Prudential Regulations—Bank Regulation in Oman—Omanisation of personnel in banking sector*"). As at 30 September 2022, Oman nationals accounted for 93.3 per cent. of the Bank's employees.

## OVERVIEW 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 11 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 2022, Issue 50). 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 Royal decrees. The Basic Statute of the State, also called the Basic Law, codifies some of the basic rights of both citizens and the government and effectively serves as the Constitution of Oman. The Basic Law was originally enacted in 1996, and was subsequently amended and restated by His Majesty Sultan Haitham bin Tarik on 11 January 2021 through Royal Decree 6/2021.

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, Royal Decree 7/2021 promulgating the Council of Oman Law was issued, which implements a new law to replace Royal 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 establishing new regulations for both chambers.

A census is held in Oman every ten years, with the last census conducted in 2020. As at 30 June 2022, the total population of Oman was estimated by the NCSI to be approximately 4.7 million, of which 2.8 million were Omani nationals and 1.9 million were expatriates. The population of Oman is relatively young. The United States Central Intelligence Agency World Factbook (as updated on 22 September 2022) 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 is 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 also 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. 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 longer-term plans. In particular Vision 2040 lays out Oman's long-term fiscal plan. This is implemented by a series of five-year fiscal plans, and medium term fiscal plans. 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 Royal 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 of strategy 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.

Key Government reforms implemented in recent years to support the progress of the primary Vision 2040 plan include: (i) Vision 2020, a secondary long-term development strategy with an emphasis on diversification and investment in non-oil and gas industries and services; and (ii) tertiary short-term projects referred to as 'Five-Year Plans' which are also designed to aid the diversification of the economy by increasing expenditure on key infrastructure projects, such as developing the country's ports. The current Five-Year Plan is termed the Tenth Five-Year Plan for 2021 to 2025, which will be part of Vision 2040.

In September 2020, Royal 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.

The Government announced a medium-term fiscal plan ("**MTFP**") 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 (which took place 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.

**Ratings**

The long-term foreign and local currency sovereign ratings assigned to Oman are:

- Ba3 (positive outlook) by Moody's in October 2022;
- BB- (stable outlook) by S&P in September 2022; and
- BB (stable outlook) by Fitch in August 2022.

**Economic Overview**

According to the NCSI, Oman's nominal GDP was RO 33.0 billion in 2021, RO 28.4 billion in 2020 and RO 29.3 billion in 2019.

The decrease in Oman's nominal GDP in 2020 compared to 2019 was driven by a 24.5 per cent. decrease in hydrocarbon sector activities (principally reflecting the impact of low oil prices for much of 2020 as a result of the restrictions imposed worldwide to combat the COVID-19 pandemic), which was partially offset by an 8.2 per cent. increase in non-hydrocarbon sector activities. In 2021, Oman's nominal GDP grew by 16.1 per cent., reselecting a 38.5 per cent. increase in hydrocarbon activities (as oil prices recovered) and an 8.4 per cent. increase in non-hydrocarbon activities (as the economy recovered from the impact of COVID-19 in 2020).

Despite its diversification efforts, Oman's economy continues to be dominated by oil and gas activities, which accounted for 31.9 per cent. of nominal GDP during 2021 as compared to 26.8 per cent. of nominal GDP during the 2020.

**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:

| | **2021**[(1)] | **2020** | **2019** |
|---|---|---|---|
| Nominal GDP (*RO millions*) | 33,016.5 | 28,442.0 | 29,349.5 |
| Nominal GDP growth rate (*per cent.*) | 16.1 | (3.1) | (4.3) |
| Sultanate CPI Inflation Rate (*per cent.*) | 3.8 | (1.4) | 0.1 |

(1) The data for 2021 is provisional.

## OMAN BANKING SYSTEM AND PRUDENTIAL REGULATIONS

*Capitalised terms that are not defined in this section may be defined under "Presentation of Financial and other information".*

### 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. According to the CBO's website, there are 16 conventional commercial banks, of which seven were locally incorporated and nine were branches of foreign banks. In addition, there are two Islamic banks (Bank Nizwa SAOG and AlIzz Islamic Bank (S.A.O.C.). The locally incorporated conventional commercial banks are the Bank, Bank Muscat SAOG, HSBC Bank Oman SAOG, Oman Arab Bank 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 13.0 billion (U.S.$33.9 billion) in assets as at 31 December 2021 (Source: Bank Muscat SAOG consolidated financial statements for the year ended 31 December 2021).

As at 30 June 2022, conventional banks in Oman had total deposits of RO 21.6 billion compared to RO 21.2 billion as at 31 December 2021 and RO 20.4 billion as at 31 December 2020 and total credit of RO 23.3 billion as at 30 June 2022 compared to RO 23.0 billion as at 31 December 2021 and RO 22.3 billion as at 31 December 2020 (Source: CBO Monthly Statistical Bulletin July 2022).

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.

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 Royal 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 the 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.

According to CBO's website, there are two full-fledged locally incorporated Islamic banks: Bank Nizwa SAOG and Al Izz Islamic Bank SAOC, which commenced operations in December 2012 and towards the end of 2013, respectively. A number of conventional banks, including the Bank, Bank Muscat SAOG and Bank Dhofar SAOG have established windows for Islamic banking.

As at 30 June 2022, Islamic banks and windows in Oman had total deposits of RO 4.7 billion compared to RO 4.4 billion as at 31 December 2021 and RO 3.8 billion as at 31 December 2020 and total financing of RO 5.1 billion compared to RO 4.8 billion as at 31 December 2021 and RO 4.3 million as at 31 December 2020 (Source: CBO Monthly Statistical Bulletin July 2022).

## 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 Minister of Commerce, Industry and Investment Promotion. 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 investment activities which foreign investors are prohibited from engaging in. This does not include banking activities. According to the CBO's website, the foreign banks operating in Oman through branches are Standard Chartered Bank, Habib Bank Ltd, Bank Melli Iran, Bank Saderat Iran, Bank of Baroda, State Bank of India, National Bank of Dhabi Bank (now known as First Abu Dhabi Bank), Bank of Beirut and Qatar National Bank.

## 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.

According to its website, the CBO is responsible for promoting and maintaining monetary and financial stability in Oman, as well as for fostering a sound and progressive banking and financial system in the country conducive to its sustained economic growth. Monetary stability means stable prices and confidence in the currency. Financial stability entails detecting and reducing threats to the financial system as a whole.

The CBO is also the single integrated regulator of the banking and financial services sector in the country. In order to achieve its purposes, the CBO:

- formulates and administers monetary policy to achieve a variety of goals including stable prices, growth and employment;
- licenses, regulates and supervises commercial banks, specialised banks, financial and leasing companies and money exchange companies;
- acts as a banker to the Government by providing a full range of banking services for the Government, including acceptance of deposits from the Government, lending to the Government to help finance the fiscal deficits, running the Government bank account acting as its fiscal agent, public debt management, exchange control, and management of foreign exchange reserves of the country;
- acts as a banker to the banks by holding deposits from banks operating in Oman, lending them funds for short periods, and providing them with a variety of other services including payment systems, settlement, and clearing facilities; and
- issues the national currency and manages the liquidity in the banking system.

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, promulgated by Royal Decree 18/2019, the Law of Commerce promulgated by Royal Decree 55/1990 (as amended), the Oman Labour Law promulgated by Royal Decree 35/2003 (as amended), the Capital Markets Law promulgated by Royal Decree 80/98 (as amended) and the Social Insurance Law promulgated by Royal 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.

### *Capital adequacy*

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. The NSFR and the LCR are 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 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 2021 was 106.7 per cent. The Bank's LCR as at 30 September 2022 and 31 December 2021 was 190.06 per cent. and 153.6 per cent., respectively.

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 and they remain at this level. 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 Prospectus, 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 are 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 the 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. As at the date of this Prospectus, the CBO has only designated one bank (which is not 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, allow the relevant authorities to resolve the bank in an orderly way with minimum disruption and cost and 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 designed 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 (as amended subsequently), no licensed bank in Oman is permitted to lend (whether by loans, discounts, advances or overdrafts and whether secured or unsecured) when such lending in aggregate exceeds 92.5 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***

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:* Pursuant to 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; and

- 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.

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:

| **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 75 per cent. of local net worth | 50 per cent. of local net worth of the bank |
| Total placements with related parties and total placements with non-related parties – limit each at 75 per cent. of local net worth | 50 per cent. of local net worth of the bank |
| Aggregate placements and credit exposures to all related and non-related parties – limit at 75 per cent. of local net worth | 50 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 one and five employees and an annual turnover of less than RO 100,000;

- small enterprises, being those which have between six and 25 employees and an annual turnover of between RO 100,000 and RO 500,000; and

- medium enterprises, being those which have between 26 and 99 employees and an annual turnover of between RO 500,000 and RO 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).

*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 the net worth of such licensed 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 licensed 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 licensed 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.

*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 are 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 with the limit thereafter being 35 per cent.

***Bank Credit and Statistics 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 Center (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, OCFIC has become operational and has fully replaced the BCSB. Pursuant to the OCFIC Law, the board of governors of the CBO are mandated with the task of issuing the implementing regulations to the OCFIC Law, but these are yet to be issued.

***Loan loss provisioning***

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 overdue.

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 loss, 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 reporting***

The International Accounting Standards Board issued IFRS 9 in July 2014 and it became effective on 1 January 2018. The three phases of IFRS 9 are: (i) classification and measurement of financial assets; (ii) impairment; and (iii) hedging. The CBO issued Circular BM 1149 on implementation of IFRS 9 on 13 April 2017, which aimed to promote consistency and comparability in reporting across Omani banks, provide a robust alternate 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 Prospectus, the Bank has complied, and will comply, with the dual track of IFRS 9 and BM Circular 977. In accordance with the dual track, if the total provisions required under BM Circular 977 are higher than IFRS 9 requirements, the 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.

***Bank deposit insurance scheme***

Pursuant to Royal Decree No 9/1995 promulgating the law of Banking Deposit Insurance System (as amended), a bank 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 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 Riyal, 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 August 2022:

| **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 | 30 per cent. |
| 9-12 months | 30 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 the 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 net worth of the bank and that any investment in a particular security does not exceed 5 per cent. of the net worth of the bank. 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 net worth of the bank;

- 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 net worth of the bank. 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 Riyal and the U.S. dollar through the Omani Riyal being pegged to the U.S. dollar (RO 1= U.S.$2.6008). 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 and combating the financing of terrorism. 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 the 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 the MENA Financial Action Task Force Mutual Evaluations, resulting in the identification of areas requiring improvement. The CBO monitors licensed institutions through periodical 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 sale 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.

***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. and 80 per cent. in relation to their senior management. 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 currently 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. There is currently no announced timing for the release of the draft law.

## TAXATION

***The following is a general description of certain 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 and does not constitute legal or tax advice. 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 overview is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.***

### 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 (Royal 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 Royal Decree 9/2017 (the "**Tax Amendment**"), withholding tax is payable on the following categories of income accrued in Oman:

(a) royalties;

(b) remuneration for conducting research and development;

(c) remuneration for using or the right to use computer software;

(d) fees for management or performance of services; and

(e) 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 Royal 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.

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 Executive Regulations 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.

Subsequently, the CMA on 15 May 2019 announced that on the basis of a Royal Directive, withholding tax applicable on cross-border payments of interest and dividend would be suspended for a period of three years effective from 6 May 2019 (the "**Tax Suspension**"). The Tax Suspension applies in case of all Omani companies and is not restricted to the Government and banks incorporated in Oman (as clarified in the Tax Decision). The Tax Suspension was further extended up to 2024 as an incentive component of an economic stimulus plan announced by His Majesty the Sultan of Oman on 9 March 2021.

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 Royal 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 Royal Decree 121/2020 promulgating the VAT Law.

The VAT Law was published in the Official Gazette of Oman on 18 October 2020 and came into force 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 came 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.

**The Proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, 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 Regulation (EC) No. 1287/2006 (such as the issuance and subscription of Capital Securities) 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 the 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.

**Foreign Account Tax Compliance Act**

Pursuant to Sections 1471 through 1474 of the Code, 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**", a term not defined as at the date of this Prospectus) 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 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 the Capital Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the 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 the Capital Securities, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "**foreign passthru payment**" and the 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 filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Capital Securities (as described under Condition 16 (*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 FACTA, 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 FACTA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the 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 or indemnify any person as a result of any FATCA withholding.

## SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the "**Subscription Agreement**") dated 25 November 2022 between the Bank and the Joint Lead Managers, the Bank has agreed to issue U.S.$134,111,000 in aggregate principal amount of the Capital Securities and subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to procure subscribers for the Capital Securities at the issue price of 100 per cent. of the principal amount of Capital Securities.

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 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 private bank and/or intermediary is responsible for determining for itself whether an investment in the Capital Securities is consistent with its investment objectives.

Any such agreement will extend to those matters stated under "*Form of the Capital Securities*" and "*Terms and Conditions of the Capital Securities*". In the Placement Agency Agreement, 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 or the Joint Lead Managers 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 or the Joint Lead Managers. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

**United States**

The Capital Securities have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States or and the securities may not be offered, sold, delivered, sold, pledged or otherwise transferred directly or indirectly within the United States or to, or for the account of benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell the Capital Securities: (a) as part of their distribution at any time; or (b) otherwise until 40 days after the completion of the distribution, within the United States or to, or for the account or benefit of, U.S. Persons except in accordance with Regulation S of the Securities Act. Each Joint Lead Manager has further agreed that it will send to each dealer/manager to which it sells any Capital Securities during the distribution compliance period a confirmation or other notice setting forth 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts (as defined in Regulation S under the Securities Act) with respect to any Capital Securities.

In addition, until 40 days after the commencement of the offering of the Capital Securities, an offer or sale of the Capital Securities within the United States by any dealer/manager (whether or not participating in the offering of the Capital Securities) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available 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 any Capital Securities 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 EU 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 EU MiFID II.

**UK**

***Prohibition of Sales UK to 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 any Capital Securities to any retail investor in the UK. 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 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 UK MiFIR.

***Other 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 any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any 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 UK.

**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 "**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 (ii) 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 in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any 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.

**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**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold any Capital Securities, and will not, directly or indirectly, offer or sell any Capital Securities in Japan or to, or for the benefit of, any resident of Japan (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 relevant laws, regulations and ministerial guidelines of Japan.

**Singapore**

This Prospectus 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 the Capital Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Capital Securities or cause the 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 Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Capital Securities, whether directly or indirectly, to persons in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (*2020 Revised Edition*) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA; (b) to a relevant person (as defined in Section 275(2) of the SFA) under 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 provision of the SFA.

Where Capital Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) 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

(ii) 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 239(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:

(A) 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;

(B) where no consideration is or will be given for the transfer;

(C) where the transfer is by operation of law;

(D) as specified in Section 276(7) of the SFA; or

(E) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

***Singapore Securities and Futures Act Product Classification*** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Bank has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Capital Securities are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulation 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).

**United Arab Emirates (excluding the DIFC)**

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 other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

**DIFC**

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 DIFC unless such offer is:

(a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority rulebook (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.

**State of Kuwait**

Each Joint Lead Manager has represented and agreed that the Capital Securities have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

No private or public offering of the Capital Securities is being made in the State of Kuwait, and no agreement relating to the sale of the Capital Securities will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Capital Securities in the State of Kuwait.

**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 8 of the Rules on the "Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority ("**Saudi CMA**") resolution number 3-123-2017 dated 27 December 2017, as amended by Saudi CMA resolution number 1-94-2022 dated 22 August 2022 (the "**KSA Regulations**"), made through a capital market institution licensed to carry out arranging activities by the Saudi CMA and following a notification to the Saudi CMA under Article 10 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 "institutional and qualified clients" under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Capital Securities made by it to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 of the KSA Regulations.

The offer of the 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 14 of the KSA Regulations.

***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 in the Kingdom of Bahrain 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, sold or delivered, and will not offer, sell or deliver, at any time, 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). This Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange and may not be publicly distributed in Qatar (including the Qatar Financial Centre).

**Oman**

Each Joint Lead Manager has represented and agreed that:

(a) this Prospectus has not been filed by it with the Capital Market Authority of Oman, in relation to a public offering or private placement of securities inside Oman, pursuant to Article 28 of the Securities Law (Royal Decree 46/2022) and the Capital Securities will not be offered or sold by it as an offer of securities in the Sultanate of Oman as contemplated by the Oman Commercial Companies Law (Royal Decree 18/2019, as amended); and

(b) the Capital Securities have not been, and will not be, offered, sold or delivered by it, and no invitation to subscribe for or to purchase the Capital Securities has been, or will be, made by it, directly or indirectly, nor may any document or other material in connection therewith be distributed in the Sultanate of Oman to any person in the Sultanate of Oman other than through an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in the Sultanate of Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended).

**Switzerland**

Each Joint Lead Manager has represented and agreed that: (i) the Capital Securities may not be publicly offered, sold or advertised by it, directly or indirectly, in or from Switzerland within the meaning of the Swiss Financial Services Act; and (ii) neither this Prospectus nor any other offering or marketing material relating to the Capital Securities may be publicly distributed or otherwise made publicly available by it in Switzerland.

**General**

Each Joint Lead Manager has represented and agreed that (to the best of its knowledge and belief) it has complied and will comply with all applicable securities laws and regulations in force in each country or jurisdiction in or from which it purchases, offers, sells or delivers the Capital Securities or possesses, distributes or publishes this Prospectus or any related offering materials, in all cases at its own expense, and none of the other Joint Lead Managers shall have any responsibility therefor. Other persons into whose hands this Prospectus comes are required by the Bank and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Capital Securities or possess, distribute or publish this Prospectus or any related offering material, in all cases at their own expense.

The Bank and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any Capital Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering.

## GENERAL INFORMATION

### Authorisation

The issue of Capital Securities by the Bank and its entry into the Transaction Documents was duly authorised by a resolutions of the Bank's directors on 6 March 2022, and the Bank's shareholders on 30 March 2022.

### Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Bank is 549300D3B4GI1CT73Z02.

### Approval of the Prospectus, Admission to Trading and Listing of Capital Securities

Application has been made to Euronext Dublin for the Capital Securities to be admitted to the Official List and to trading on the Euronext Dublin Regulated Market. The listing of the Capital Securities is expected to be granted on or around 29 November 2022.

The total expenses relating to the admission to trading of the Capital Securities are expected to amount to approximately €6,540.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Bank (and not on its own behalf) in connection with the application to Euronext Dublin for the Capital Securities to be admitted to the official list and to trading on its regulated market.

### Validity of the Prospectus and Prospectus Supplements

This Prospectus is valid for 12 months. For the avoidance of doubt, the Bank shall have no obligation to supplement this Prospectus after the end of the offer or admission to trading of the Capital Securities.

### Documents on Display

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Bank and the specified office of the Agents:

(a) the Memorandum and Articles of Association of the Bank (with an English translation thereof);

(b) the Financial Statements;

(c) the Deed of Covenant and the Agency Agreement (which contains the forms of the Global Certificate and the Individual Certificate); and

(d) a copy of this Prospectus.

The Memorandum and Articles of Association of the Bank (with an English translation thereof), the Financial Statements, the Deed of Covenant and the Agency Agreement will also be available for viewing at https://www.nbo.om/en/Pages/IR/Landing-Page.aspx?csrt=14716151116225679327. In addition, the Prospectus will be available, in electronic format, on the website of Euronext Dublin at https://live.euronext.com/en/product/bonds-detail/18221/overview.

For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website does not form part of this Prospectus.

### 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 248596856 and ISIN XS2485968569. 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 National Numbering Agency that assigned the relevant ISIN, in each case as may be updated.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1 210 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 of the Bank since 30 September 2022 and there has been no material adverse change in the prospects of the Bank since 31 December 2021.

**Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Bank is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Bank.

**Yield**

There is no explicit yield to maturity. The Capital Securities do not carry a fixed date for redemption and the Bank is not, and under certain circumstances is not permitted, to make payments on the Capital Securities at the full stated rate. The interest rate is also subject to periodic resetting.

For information purposes only, the yield of the Capital Securities calculated on the basis of the Issue Price and the Initial Interest Rate from (and including) the Issue Date up to (but excluding) the First Reset Date and assuming no Write-down during such period would be 6.750 per cent. per annum calculated on an annual basis. It is not an indication of the actual yield for such period or of any future yield.

**Auditors**

The auditors of the Bank are KPMG LLC ("**KPMG**"). KPMG were appointed as auditors of the Bank in the annual general meeting held on 17 May 2020. KPMG is regulated in Oman by the Ministry of Commerce, Industry and Investment Promotion which has issued KPMG with a licence 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.

KPMG have audited, without qualification, the Annual Financial Statements of the Bank in accordance with the International Standards on Auditing, as stated in their audit reports incorporated by reference in this Prospectus.

**Websites**

The contents of any website referred to in this Prospectus do not form part of this Prospectus and have not been scrutinised or approved by the CBI.

**Joint Lead Managers Transacting with the Bank**

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Bank and their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for those transactions.

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. 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.

**ISSUER**

**National Bank of Oman SAOG**
New Head Office
Azaiba
Muscat
P.O Box 751, P.C 112
Sultanate of Oman

**GLOBAL CO-ORDINATORS AND JOINT LEAD MANAGERS**

**National Bank of Oman SAOG**
New Head Office
Azaiba
Muscat
P.O Box 751, P.C 112
Sultanate of Oman

**Standard Chartered Bank**
7th Floor Building One,
Gate Precinct
Dubai International Financial Centre
P.O. Box 999
Dubai, United Arab Emirates

**FISCAL AGENT, CALCULATION AGENT AND TRANSFER AGENT**

**Citibank, N.A., London Branch**
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

**REGISTRAR**

**Citibank Europe Plc**
1 North Wall Quay
Dublin 1
Ireland

**LEGAL ADVISERS**

**To the Issuer**

*As to Omani Law*

**Addleshaw Goddard**
Beach One, Shatti Al Qurum
PO Box 4
PC 102, Al Qurum
Sultanate of Oman

*As to English Law*

**Allen & Overy LLP**
11th Floor, Burj Daman Building
Dubai International Financial Centre
P.O. Box 506678
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**To the Joint Lead Managers**

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