بنك ظفار
BankDhofar

Issue of up to 40,000 Additional Tier I Perpetual Bonds on a Private Placement basis, at a price of RO 1,000 per Bond, aggregating up to RO 40 million

ISSUE PERIOD
Opening Date: 9 December 2018
Closing Date: 20 December 2018

Financial Advisor, Lead Issue Manager and Placement Agent

الخليجية بادرلأسواق المال ش.م.ع.م
GULF BAADER CAPITAL MARKETS S.A.O.C.

PROSPECTUS



His Majesty Sultan Qaboos Bin Said

بنك ظفار
BankDhofar

BankDhofar SAOG
Postal Address: P.O. Box 1507, Ruwi 112, Sultanate of Oman
Tel: +968 24790466 Fax: +968 24702865
www.bankdhofar.com

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GULF BAADER CAPITAL MARKETS S.A.O.C.

Gulf Baader Capital Markets SAOC
PO Box 974, PC 112, Ruwi, Sultanate of Oman
Tel: +968 22350700 Fax: +968 22350745

Co-Issue Manager

BankDhofar SAOG
Investment Banking Division

بنك ظفار
BankDhofar

Collecting Bank

BankDhofar SAOG

بنك ظفار
BankDhofar

Legal Adviser

Dentons & Co Oman Branch

DENTONS

Registrar, Transfer Agent and Trustee

Muscat Clearing and Depository Company SAOC

This is an unofficial English version of the original Prospectus prepared in Arabic and approved by the Capital Market Authority pursuant to the Administrative Decision No. E / 86 / 2018 dated 29 November 2018. In the event of any conflict between the Arabic version and the English version, the Arabic version will prevail. The Capital Market Authority assumes no responsibility for the accuracy and adequacy of the statements and information contained in the Prospectus nor shall it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person.

IMPORTANT NOTICE TO INVESTORS

All investors are advised to read this notice

Under no circumstances shall this Prospectus constitute an invitation to subscribe or an offer to sell the Bonds by or on behalf of the Bank in any jurisdiction outside of Oman where such offer, distribution or sale is, or would be, unlawful.

This Prospectus and the private placement contained in here is only intended for the certain selected investors identified by the Bank and is not an offer to the public. Accordingly, this prospectus is not intended for public circulation or distribution.

The aim of this Prospectus is to present material information that may assist investors to make an appropriate decision as to whether or not to invest in the Additional Tier I Perpetual Bonds of BankDhofar SAOG ("BankDhofar" or "the Bank") offered hereunder (the "Bonds").

This Prospectus contains all material information and data and does not contain any misleading information nor omits any material information that would have a positive or negative impact on an investor's decision as to whether or not to invest in the Bonds.

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

All investors should examine and carefully review this Prospectus in order to decide whether it would be appropriate to invest in the Bonds by taking into consideration all the information contained in this Prospectus. Investors should not consider this Prospectus a recommendation by the Bank, the Board, the Lead Issue Manager, the Co-Issue Manager or the Legal Advisor to subscribe to the Bonds. Each investor shall bear the responsibility of obtaining independent professional advice on the investment in the Bonds and should conduct an independent evaluation of the information and assumptions contained herein using whatsoever analysis or projections he/she sees fit as to whether or not to invest in the Bonds.

It is noteworthy that no person has been authorized to make any statements or provide information regarding on the Bank or the Bonds other than the persons whose names are indicated as being duly authorised in this Prospectus. Where any other person makes any statement or provides information in this Prospectus, it should not be taken as authorized by the Bank or the Lead Issue Manager.

FORWARD-LOOKING STATEMENTS

This Prospectus may contain statements that constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward-looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to materially differ from the way implicitly portrayed within this Prospectus. The use of any of the words "aim", "anticipate", "continue", "estimate", "objective", "plan", "schedule", "intend", "expect", "may", "will", "project", "propose", "should", "believe", "will continue", "will pursue" and similar words or expressions may be intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect current expectations regarding future results or events and are based on various estimates, factors and assumptions. The Bank believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct.

Moreover, forward-looking statements involve inherent risks, uncertainties and assumptions and are made as at the date and should not be relied upon as representing the Bank's estimates as of any subsequent date.

The Bank cautions investors that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. These factors include, but are not limited to, the following:

- the level of demand for the Bank's products and services;
- competitive environment;
- changes in the regulatory, legal and fiscal conditions that may have a bearing on the position of the Bank's client's, and/or suppliers, or the banking sector in Oman;
- general political, economic and business conditions in Oman which have an impact on the Bank's business activities;
- any fluctuations in foreign exchange rates, local or international inflation, equity prices or other rates or prices;
- inability to estimate future performance; and
- other factors described in Chapter 11 of this Prospectus ("Risk Factors and Mitigants").

The Bank cannot provide any assurance that the forward-looking statements will materialize. The Bank, the Legal Advisor, the Co-Issue Manager, the Lead Issue Manager and any of their respective affiliates, disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of additional information, future events or otherwise unless required by the applicable Laws of Oman. For a description of material factors that could cause the Bank's actual results to differ materially from the forward-looking statements in this Prospectus, see Chapter 11 ("Risk Factors and Mitigants") of this Prospectus. The risk factors described in this Prospectus are not necessarily an exhaustive list of all significant factors that could cause actual results to differ materially from those expressed in the forward-looking statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Data: Unless stated otherwise, the financial data in this Prospectus is derived from Bank Dhofar's audited financial statements or its unaudited interim financial statements. Copies of the financial statements are also available on the MSM website.

The Bank's Financial Year commences on January 1 and ends on December 31 of each year.

In this Prospectus, any discrepancy between the total and the sum of the relevant amounts listed is due to rounding.

Currency of Presentation: All references to "Rials" or "RO" or "OMR" are to Omani Rials, the official currency of Oman. The Omani Rial is pegged to the U.S. Dollar and the pegged exchange rate is 1 US$ = 0.385 Omani Rial. 1 Omani Rial is comprised of 1000 Bzs.

Summary or Extracts of Documents: Any summaries of documents or extracts of documents contained in the Prospectus should not be relied upon as being comprehensive statements in respect of such documents.

SELLING RESTRICTIONS OUTSIDE OF OMAN

NOTICE TO THE 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 Saudi Arabian Capital Market Authority (the "Saudi CMA"). The Saudi CMA 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. The investors should conduct their own due diligence on the accuracy of the information relating to the Bonds. If an investor does not understand the contents of this Prospectus, he or she should consult an authorised financial adviser.

NOTICE TO THE RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Bonds issued in connection with this Prospectus 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 another currency or such other amount as the CBB may determine.

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

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the Bonds 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 each expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Prospectus.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Prospectus does not and is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar. The Bonds have not been and will not be authorised by the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in accordance with their regulations or any other regulations in the State of Qatar. The Bonds are not and will not be traded on the Qatar Exchange.

NOTICE TO THE RESIDENTS OF THE STATE OF KUWAIT

This Prospectus has not been reviewed by the Capital Markets Authority of Kuwait and is not issued by a person licensed by the Capital Markets Authority. Accordingly, this Prospectus may neither be circulated within the State of Kuwait nor may any Bonds be offered for subscription be sold, directly or indirectly, in the state of Kuwait. Moreover, no invitation or offer to subscribe for any of the Bonds may be made to persons, including for the avoidance of doubt, any legal entities, in the State of Kuwait. In the event that this Prospectus is forwarded to any person in the State of Kuwait, it should be disregarded and no steps should be taken in reliance upon it. No person in the State of Kuwait may accept or subscribe for, or purport to accept or subscribe for, the Bonds.

NOTICE TO THE RESIDENTS OF THE UNITED ARAB EMIRATES (EXCLUDING THE DUBAI INTERNATIONAL FINANCIAL CENTRE)

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that neither the Bonds nor this Prospectus have been approved by the UAE Central Bank, the UAE Ministry of Economy and Planning, the UAE Securities and Commodities Authority or any other authorities in the United Arab Emirates. The Issue Managers have not received authorisation or licensing from the UAE Central Bank, the UAE Ministry of Economy and Planning, the UAE Securities and Commodities Authority or any other authorities in the United Arab Emirates to market or sell the Bonds within the United Arab Emirates. No marketing or offer of the Bonds has been or will be made from within the United Arab Emirates and no purchase of the Bonds may or will be consummated within the United Arab Emirates. It should not be assumed that the Issue Manager is a licensed broker, dealer or investment adviser under the laws applicable in the United Arab Emirates, or that they advise individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Bonds may not be offered or sold directly or indirectly to the public in the United Arab Emirates. This Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the UAE Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

NOTICE TO THE RESIDENTS OF THE DUBAI INTERNATIONAL FINANCIAL CENTRE

This Prospectus is not intended to, and does not, constitute a financial promotion, an offer, sale or delivery of Bonds or other securities under the Dubai International Financial Centre (the "DIFC") Markets Law (DIFC Law 12 of 2004, as amended), Regulatory Law (DIFC Law 1 of 2004, as amended), under the Offered Securities Rules of the Dubai Financial Services Authority (the "DFSA") or otherwise. The Bonds are not intended for, are not being offered, distributed, sold or publicly promoted or advertised, directly or indirectly, to, or for the account or benefit of, any person in the DIFC. This Prospectus is not intended for distribution to any person in the DIFC and any such person that receives a copy of this Prospectus should not act or rely on this Prospectus and should ignore the same. The DFSA has not approved the offer of Bonds or this Prospectus nor taken steps to verify the information set out in it and has no responsibility for it.

ADDITIONAL POINTS TO BE NOTED

Scope of information: The information contained in this Prospectus is intended to provide a prospective Applicant with adequate information relating to the investment opportunity and background information on the Bonds Issue. However, this Prospectus does not necessarily contain all the information that a prospective Applicant may consider material. All summaries of documents referred to in this Prospectus relating to such documents may not be exact reproductions of such documents and should not be relied upon as full statements of these documents. The content of this Prospectus is not to be construed as legal, business or tax advice. Each prospective Applicant should consult its, his or her own lawyer, financial advisor or tax adviser for legal, financial or tax advice in relation to any subscription, purchase or proposed subscription or purchase of the Bonds.

Investor due diligence: Prior to making any decision as to whether to subscribe for the Bonds, prospective Applicants should read this Prospectus in its entirety. In making an investment decision, prospective Applicants must rely upon their own examination of the terms of this Prospectus and the risks involved in making an investment.

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

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

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

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DEFINITIONS AND ABBREVIATIONS

AGM	Annual General Meeting of the Bank.
Allotment	The allotment of Bonds against valid Applications, as approved by CMA
Applicable Regulatory Capital Requirements	Any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Bank, including transitional rules and waivers granted in respect of the foregoing.
Applicant	A person or entity who applies for the subscription of the Bonds pursuant to the terms of this Prospectus.
Application	The Application Form together with the supporting documents for subscribing to the Bonds, pursuant to the terms of this Prospectus.
Application Form	The application form required to be completed by an Applicant for subscribing to the Issue.
Articles / Articles of Association	The articles of association of the Bank as registered with the MOCI and CMA, as may be amended from time to time in accordance with the provisions as contained therein.
Authorised Signatories	The persons who are authorised signatories of the Bank according to the commercial register of the Bank maintained at the MOCI.
Bank / BankDhofar/ Company / Issuer	Bank Dhofar SAOG.
Banking Law	The Banking Law of Oman promulgated by Royal Decree Number 114/2000, as amended.
Basel Committee	The Basel Committee on Banking Supervision.
Basel III	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	The document titled "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 the document titled "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" released by the Basel Committee on 13 January 2011 each as revised, amended or supplemented from time to time.
Board / Board of Directors	The board of directors of the Bank as elected, from time to time, by the Shareholders in accordance with the provisions of the Articles of Association, the CCL and the applicable rules and regulations issued by the CBO and the CMA.
Bonds	Perpetual capital securities qualifying as an Additional Tier I Capital Instrument under CBO guidelines, with a face value of RO 1,000 per Bond, issued under this Prospectus.
Bondholder	A holder of a Bond issued by the Issuer pursuant to this Issue.
Bonds Issue / Issue	The issue of Bonds, made under this Prospectus.
Bondholders' Register	The register maintained by the MCDC listing the details of the Bondholders.
Bondholders' Resolution	A resolution passed at a meeting of Bondholders, duly convened and held in accordance with the provisions of the Trust Deed and in accordance with the applicable provisions of the CCL.

Business Day	A day, other than a Friday, Saturday or a public holiday, on which banks and the Registrar are open for general business in Muscat, Oman.
Baiza / Bzs	One thousandth of Omani Rial (Bzs 1000 = 1 Omani Rial)
Call Date	The First Call Date and any Interest Payment Date thereafter, at the option of the Bank.
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 Bonds are held by the Bank or whose purchase is funded by the Bank) of the Bonds 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 Bond means its outstanding principal amount together with any Outstanding Payments
Capital Regulations	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 and CBO circular BSD/2017/BKUP/Banks/16 dated 16 January 2017); and any other amendments thereof.
CAR	Capital Adequacy Ratio of the Bank.
CBO	The Central Bank of Oman.
CCL	The Commercial Companies Law of the Sultanate of Oman promulgated by Law Number 4/74, as amended.
CET1	Core Equity Tier 1 Ratio
CMA	The Capital Market Authority of Oman.
Code	The Corporate Governance Code for public joint stock companies issued by CMA Circular No. E/4/2015 on 22/7/2015, as amended.
Co-Issue Manager	BankDhofar SAOG – Investment Banking Division.
Collecting Bank	BankDhofar SAOG.
Common Equity Tier I capital	Common equity tier 1 of a bank capital described in the Basel III capital adequacy requirements implemented by CBO circular dated 17 November 2013.
Conditions	The terms and conditions of the issue of Bonds as set out in Chapter 6 of this Prospectus.
Day-Count Fraction	The number of days in the relevant period divided by 365 (including the first such day but excluding the last).
Determination Date	In respect of a Reset Period, the third Business Day prior to the commencement of such Reset Period.
Distributable Items	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 auditor reviewed financial statements of the Bank as announced through the MSM.
Dividend Stopper Date	Has the meaning given to it in Condition 6.5.4 (Dividend and Redemption Restrictions) under Chapter 6.
Early Redemption Amount	In relation to a Bond, its outstanding principal amount together with any Outstanding Payments.

Event of Default	(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:** a liquidator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or liquidation of the Bank or the Bank shall apply or petition for a winding-up or liquidation 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 Bondholders; (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 (iii) arising as a result of a merger or amalgamation with another financial institution; or (d) **Analogous Event:** any event occurs which under the laws of Oman has an analogous effect to any of the events referred to in paragraph (b) or (c) above. References in subparagraph (b) (Insolvency) above to debts shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of Shari'a and which is treated as debt for the purposes of applicable law, in each case whether entered into directly or indirectly
Executive Regulations	Executive Regulations of The Capital Market Law issued by Decision No. 1/2009, as amended.
Existing Interest Rate	The Interest Rate or the Initial Interest Rate, as applicable, immediately preceding the relevant Reset Date.
Financial Advisor, Lead Issue Manager & Placement Agent	Gulf Baader Capital Markets SAOC
First Call Date	The 5th anniversary of the Issue Date.
First Interest Payment Date	Six months from the Issue Date.
FY / Financial Year	The financial year of the Bank which commences on the 1st of January and ends on the 31st of December of the same year.
GCC	The Gulf Cooperation Council.
General Meeting	An Ordinary General Meeting or an Extraordinary General Meeting of the shareholders of the Bank.
Government	The Government of Oman.
Initial Interest Rate	7.5%
Initial Margin	The Initial Margin is shown in the following table against the tenor that is equal to the Reset Reference Tenor –

Tenor (Years)	Applicable Margin
Five	2.95%
Six	2.75%
Seven	2.55%

Initial Period	The period from and including the Issue Date, to but excluding the First Call Date.
Interest Due Dates	The dates until which interest is payable for the respective periods for which interest accrues in accordance with the terms of the Bonds Issue.
Interest Payment Amount	The amount of interest payable, subject to Condition 6.5 (Interest Restrictions) and Condition 6.6 (Payments), on each Interest Payment Date
Interest Payment Date	The First Interest Payment Date and every six months after the First Interest Payment Date.
Interest Period	The period from and including the Issue Date to, but excluding, the First Interest Payment Date, and each successive period from and including an Interest Payment Date to but excluding the next Interest Payment Date.
Interest Rate	In respect of the Initial Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 6.4.1 (b) (Interest Payments).
Issue Date	The date of approval of the allotment of the Bonds by the CMA.
Junior Obligations	All claims of the holders of Ordinary Shares.
Laws of Oman	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA Regulations as the same may have been, or may from time to time be enacted, amended or re-enacted or issued, publicly available and as enforced by the courts of Oman.
Legal Advisor	Dentons & Co Oman Branch
MCDC / Registrar / Trustee	The Muscat Clearing & Depository Company SAOC, PO Box 952 P.C. 112, Ruwi, Oman, Tel: +968 24822222; Fax: +968 24817491.
MOCI	The Ministry of Commerce and Industry of Oman.
MSM	The Muscat Securities Market of Oman.
Non-Payment Election	Has the meaning given to it in Condition 6.5.2 (Non-Payment Election)
Non-Payment Event	Has the meaning given to it in Condition 6.5.1 (Non-Payment Event)
Non-Viability Event	(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 6.11.2 (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	The payment obligations of the Bank under the Bonds.
OCCI	The Oman Chamber of Commerce and Industry.

Ordinary Shares / Equity Shares	The ordinary shares of the Bank with a nominal value of RO 0.100.
Oman / the Sultanate	The Sultanate of Oman.
Other Common Equity Tier 1 Instruments	Securities issued by the Bank that constitute Common Equity Tier 1 Capital of the Bank other than Ordinary Shares
Outstanding Payments	In relation to any amounts payable on redemption of the Bonds, an amount representing any due and payable but unpaid interest for the Interest Period during which redemption occurs to the date of redemption. For the avoidance of doubt, the obligation to pay Outstanding Payments is without prejudice to the Bank's right to elect not to pay earlier Interest Payment Amounts or to the non-payment of such amounts as a result of a Non-Payment Event having occurred.
Pari Passu Obligations	All subordinated payment obligations of the Bank which rank, or are expressed to rank, pari passu with the Obligations.
Payment Day	Has the meaning given to it in Condition 6.6.3 (Payment Day).
Prospectus	This prospectus, as approved by the CMA.
Qualifying Tier 1 Instruments	Instruments that satisfy the criteria of Qualifying Tier I Capital Instruments pursuant to the criteria set out in the "Guidelines on Regulatory Capital under Basel III" circulated by the CBO in the CBO circular No BM 1114 dated 17 November 2013.
Redemption Amount	The Early Redemption Amount, the Tax Redemption Amount or the Capital Event Redemption Amount (as the case may be).
Register	The record of holding and ownership of the Bonds maintained by MCDC.
Regulator	The CBO or any successor entity having primary bank supervisory authority with respect to the Bank in Oman.
Relevant Date	The date on which the payment first becomes due, except that, if notice to that effect is duly given to Bondholders in accordance with Condition 6.15 (Notices).
Relevant 5 Year Reset Rate	(a) The rate of the Reset Reference Bond (b) If there has been no Reset Reference Bond due to the following reasons, then the Existing Interest Rate shall apply: (i) no auction issue in the immediate 12 months preceding any Reset Date; or (ii) there is no tenor matching the Reset Reference Tenor
Reset Reference Tenor	The length of time in years equal to the next following Reset Period
Reset Reference Bond	(a) The most recent Omani Rial Government Development Bond with the relevant rate being the average yield at which allotment is made, in the immediate 12 months preceding the applicable Reset Date and which has a tenor equal to the relevant Reset Reference Tenor; or (b) The most recent Omani Rial sovereign debt issue with the relevant rate being the yield to maturity/first call calculated at the announced issue price, in the immediate 12 months preceding the applicable Reset Date and which has a tenor equal to the relevant Reset Reference Tenor
Reset Date	The First Call Date and every fifth anniversary thereafter.
Reset Period	The period from and including the First Call Date to, but excluding, the following Reset Date, and each successive period thereafter from and including such Reset Date to, but excluding, the next succeeding Reset Date.
Rial Omani / Omani Rial / RO / OMR	The lawful currency of Oman. Each Omani Rial is equivalent to 1,000 Baizas.

Senior Obligations	All unsubordinated payment obligations of the Bank (including deposit holders and general creditors) and all subordinated payment obligations (if any) of the Bank to which the Obligations rank, or are expressed to rank, junior.
Shareholders	The shareholders of the Bank.
Tax Event	On the occasion of the next payment due under the Bonds, 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 requirement cannot be avoided by the Bank taking reasonable measures available to it.
Tax Redemption Amount	In relation to a Bond, means its outstanding principal amount together with any Outstanding Payments.
Taxes	Has the meaning given to it in Condition 6.13 (Taxation).
Tier 1 Capital	Capital qualifying as, and approved by the Regulator as, tier 1 capital in accordance with the Capital Regulations.
Tier 2 Capital	Capital qualifying as, and approved by the Regulator as, tier 2 capital in accordance with the Capital Regulations.
Trust Deed	The agreement between the Bank (as Issuer) and MCDC (as Trustee).
Trustee	MCDC or any successor body thereto and includes all persons who may be appointed trustee under the terms of the Trust Deed to act for and on behalf of the Bondholders as their representative.
Write-Down	(a) the Bonds shall be cancelled (in the case of a write-down in whole) or written-down in part on a pro rata basis (in the case of a write-down in part) as determined by the Bank in conjunction with the Regulator in accordance with the Capital Regulations; and (b) all rights of any Bondholder for payment of any amounts under or in respect of the Bonds (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) shall, as the case may be, be cancelled in whole or written-down in part pro rata among the Bondholders 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.
US$	United States Dollars, the lawful currency of the United States of America.

CHAPTER 1 – GENERAL INFORMATION ON THE ISSUE AND THE ISSUER

Name of the Issuer	Bank Dhofar SAOG
Commercial Registration Number	1291106 established on 1 January 1990
Principal place of Business	Postal Address: PO Box 1507, PC 112, Ruwi, Oman
Bank's Duration	Unlimited
Financial Year	Financial year commences on 1st January and ends on 31st December of the same year.
Authorized Share Capital	The authorized share capital of the Bank is RO 500,000,000 divided into 5,000,000,000 Shares of Bzs 100 each.
Issued & Paid up Capital	The issued and fully paid up share capital of the Bank is RO 243,848,634 divided into 2,438,486,340 Shares of Bzs 100 each.
Issue	Issue of up to 40,000 Bonds on private placement basis, at a price of RO 1000 per Bond, aggregating up to RO 40 million.
Nature of securities offered	Omani Rial unsecured perpetual subordinated Bond as Additional Tier I Capital Instruments
Nominal Value of Bonds	RO 1000 per Bond
Initial Interest Rate	7.5%
Purpose of the issue	The purpose of the Bonds Issue is to increase the Additional Tier I capital of the Bank in order to improve the CAR, strengthen the Bank's balance sheet, to support future growth of the Bank's business and for general corporate purposes.
Credit rating of Issuer	Moody's Investor Service - Long-term Deposit Rating of Baa3 (Negative Outlook) on 29 March 2018 Fitch Ratings - Long Term Issuer Default Rating of BB+ (Negative Outlook) on 23 May 2018
Issue Opening Date	9 December 2018
Issue Closing Date	20 December 2018
Minimum and Maximum subscription	Minimum application - 100 Bonds Maximum application - 40,000 Bonds
Listing of Bonds	on the MSM
Refund of application money	Refunds will be made within 15 days of the closure of the Issue.
Approvals for the Issue	• Board approval, under the board resolution at its meeting on 29 January 2018. • Approval from shareholders at an Extraordinary General Meeting held on 27 March 2018 • In-principle approval received from the CBO vide its letter no. BSD/2018/BKUP/BD/494 dated 18 September 2018. • Approval received from the CMA vide its CMA Administrative Decision No. E / 86 / 2018 dated 29 November 2018.

Allotment	The Bonds shall be allotted against valid Applications, subject to the provisions of Chapter 14. For details, please refer to Chapter 14.
Financial Advisor, Lead Issue Manager and Placement Agent	**Gulf Baader Capital Markets SAOC** PO Box 974, PC 112, Ruwi, Oman Tel: +968 22350700 Fax: +968 22350745
Registrar, Transfer Agent and Trustee	**Muscat Clearing and Depository Company SAOC** PO Box 952, PC 112, Ruwi, Oman Tel: +968 24822222, Fax: +968 24817491
Statutory Auditors (from 2018)	**KPMG** PO Box 641, PC 112, Ruwi, Oman Tel: +968 24749600, Fax: +968 24700839
Statutory Auditors (2014-17)	**Ernst & Young LLC** PO Box 1750, PC 112, Ruwi, Oman Tel: +968 24559559, Fax: +968 24566043
Legal Advisor to the Issue	**Dentons & Co Oman Branch** PO Box 3552, PC 112, Ruwi, Oman Tel: +968 24573000, Fax: +968 24573097
Collecting Bank	**BankDhofar SAOG** PO Box 1507, PC 112, Ruwi, Oman Tel: +968 24726366/361/362, Fax: +968 24726262

CHAPTER 2 – OBJECTIVE OF THE BONDS ISSUE AND USE OF PROCEEDS

2.1 Objective of the Bonds Issue and Use of Proceeds

The purpose of the Bonds Issue is to increase the Additional Tier I capital of the Bank in order to improve the CAR, strengthen the Bank's balance sheet, to support future growth of the Bank's business and for general corporate purposes.

2.2 The estimated cost of the Bonds Issue

The issue expenses of the Bonds Issue are estimated at RO 223,500 which is equal to approximately 0.56% of the total gross proceeds of the Bonds Issue, assuming full subscription. The issue expenses will be borne by the Issuer. The breakdown of the estimated costs and expenses of the Issue is given below:

Particulars	Amount (in RO)
Financial Advisor, Issue Managers and Placement Agent Fee	165,000
Legal Advisor Fee	11,500
Collecting Bank Fee	35,000
CMA Fees	2,000
Marketing, Advertising, Printing & Publicity	5,000
Other Expenses including Mailing & Postage	5,000
TOTAL	**223,500***

**These are estimates and may change as per actuals.*

CHAPTER 3 - DESCRIPTION OF THE BANK, BANK'S OBJECTS & APPROVALS

3.1 Overview

The Bank was established in Oman on 1 January 1990 (under commercial registration no. 1291106) and is engaged in retail banking, corporate banking, investment banking and treasury services. During 2013, the Bank also started its Islamic banking window, Maisarah Islamic Banking Services (Maisarah). The Bank has a primary listing of its equity shares on the MSM and its Perpetual Tier I Capital Securities on the Irish Stock Exchange (now re-named Euronext Dublin). Its principal place of business is the Head Office, Commercial Business District, Muscat, P.O. Box 1507, P.C. 112, Ruwi, Oman. The Bank's website address is http://www.bankdhofar.com, telephone number is +968 24790466, fax number is +968 24702865 and email address for investors is investorrelations@bankdhofar.com.

3.2 BankDhofar at a Glance

With total assets of over OMR 4.2 billion as on 30 September 2018, BankDhofar is one of the fastest growing Banks in Oman, with a strong presence in corporate banking, consumer banking, treasury and project finance. At the same time, it is Oman's second largest bank in respect of total assets and market capitalisation. The Bank has a network of 71 branches with an extensive ATM & CDM network which spans the country. With a keen interest in helping entrepreneurs, the Bank aids businesses in this sector to develop, diversify, innovate and promote Omani products and owners. The Bank has maintained a high level of Omanisation and strives to offer Omani nationals with sound career and development opportunities.

At the meeting held on 29 July 2018, the Board has resolved to commence discussions with National Bank of Oman SAOG to explore the possibility of a merger between the two banks, subject to agreeing the commercial terms and obtaining all necessary corporate approvals (including shareholders' approval) and regulatory approvals.

3.2.1 History

The Bank started its operations as "BankDhofar al Omani al Fransi" on 1 January 1990, with a paid up capital of RO 5 million. In 1991, the Bank acquired the assets and liabilities of Banque Paribas in Oman through a sale and purchase agreement with BNP Paribas and entered into a five year management contract with the French bank. It commenced operations with two branches, with one branch in Muscat and the other in Salalah.

In 1992, the Bank purchased the assets and liabilities of Bank of Credit and Commerce International from the CBO, by which purchase the Bank was able to expand its network of branches across the country from 2 to 14.

In 1999, in celebration of the Bank's 10th anniversary, a new head office building was opened in the Commercial Business District by His Excellency Yousuf bin Alawi bin Abdulla, Minister of Foreign Affairs. This office remains the Bank's head office as at the date of this Prospectus.

In 2001, the Bank acquired 16 branches from Commercial Bank of Oman for a purchase price of RO 3.5 million, which enabled the Bank to expand its network to a total of 43 branches. The integration of the branches acquired from Commercial Bank of Oman was completed in 2001.

In 2003, the shareholders of BankDhofar al Omani al Fransi and Majan International Bank approved the proposed merger plan of the two banks. According to the merger proposal, the assets and liabilities of Majan International Bank were to be incorporated into BankDhofar Omani al Fransi.

In 2003, the Bank obtained all regulatory and administrative approvals for changing the Bank's brand name to "BankDhofar" and also changed the logo of the Bank the same year. Following the merger with Majan International Bank, the Bank's branch network increased to a total of 45 branches and 62 ATMs across Oman.

On 3 March 2013, the Bank launched its Islamic banking window, MAISARAH, which provides its customers Shari'ah-compliant retail and commercial banking solutions through loan and deposit products as well as investment management services. MAISARAH's activities are regulated by the CBO and supervised by its Shari'ah Supervisory Board.

3.2.2 Banking Services



3.2.3 Awards & Recognitions

BankDhofar has been a leader in providing best in class products and services for which it has received several prestigious awards over past several years.

Some of the recent awards and accolades received are –

- Best Corporate Banking Institution – Oman in The Business Awards 2017 by MEA Markets
- Best mobile app from Pan Arab Web Awards 2018
- the Business Excellence Award from the BIZZ AWARDS (World Confederation of Business) 2018
- Best Private Bank Oman 2017 – BankDhofar by Global Banking & Finance Review
- Best Islamic Retail Bank Oman 2017 – Maisarah Islamic Banking by Global Banking & Finance Review
- No. 1 in Large Sized Banks Category at Best Banks Report by Oman Economic Review (OER).
- Best Bank in Oman, Large Banks Categories 2017 – Oman Economic Review
- Excellence in SME Financing Award at The Arab Banks Awards & Commendations of Excellence 2017 by World Union of Arab Bankers
- Top 20 Oman's Largest Corporates Award at the OER Finance Summit & Top 20 Awards
- Best Islamic Bank in Oman at the EMEA Finance's Achievement Awards 2016
- Best Islamic Community Support Bank 2017 by Global Financial Market Review
- Best Mobile Banking Application in Oman 2016 at the World Finance Digital Banking Awards.
- Best Digital Bank in Oman 2016 at the World Finance Digital Banking Awards.
- SME Bank of the Year – Oman by the "Wealth & Finance International Magazine"- UK (Finest in Finance)
- Brand of Excellence in SME Banking Oman 2017 by Finance Digest 2017 Brand of Excellence Program
- Brand of Excellence in E-Commerce Banking Oman 2017 by Finance Digest 2017 Brand of Excellence Program
- GTR Best Deals of 2016 by Global Trade Review "Liwa Plastics deal"

3.2.4 Credit rating

The Bank was rated by Moody's Investor Service with a Long-term Deposit Rating of Baa3 (Negative Outlook) on 29 March 2018. Similarly, Fitch Ratings gave a Long Term Issuer Default Rating of BB+ (Negative Outlook) on 23 May 2018. The Bonds are not rated by any credit rating agencies.

3.2.5 Products and Services

BankDhofar offers an extensive range of products and services for retail, corporate and government customers through a variety of delivery channels. The Bank's Retail Banking Division, the Wholesale Banking Group and Islamic banking (MAISARAH) offer a suite of products and services.

The Retail Banking Group offers the following products and services to retail customers:

- Retail products, including offering of residential mortgages, personal loans, car loans, education loans and credit cards
- Al-Riadah Priority Banking services
- Hawa Ladies Banking services
- Youth and Student Banking
- Savings products and bancassurance; and
- Electronic banking, call centre and ATM services.

The Wholesale Banking Group strives to be a professional and reliable corporate banking division delivering superior service to its target customers through a team of motivated and skilled personnel in a cost-effective manner and aims to build and strengthen corporate relationships within an acceptable risk and reward policy. WBG consists of the following departments/units:

- Corporate Banking:
  - Business Banking & Payment and Cash Management Services
  - Corporate Advisory & Investment Banking
- Treasury & Financial Institutions
- Government Banking
- Wholesale Banking - Projects & MIS

The Bank's Islamic Banking operations are conducted through MAISARAH, which operates as an Islamic banking window of the Bank and whose principal activities include the offering of saving products and investment accounts, providing Shari'ah-compliant forms of financing as well as managing customer funds on the basis of Mudarabah or Wakala financing structures and providing commercial banking services and other investment activities on a Shari'ah compliant basis.

3.3 Business growth and performance

As on 30 September 2018, BankDhofar is Oman's second-largest bank by market capitalization and by total assets. BankDhofar has earned the reputation of a financial institution with a strong commitment to consistency and growth. In addition to the conventional banking products and services the Bank offers comprehensive Islamic banking products and services through various channels, including wider branch network, electronic banking services, such as, internet banking, phone banking, SMS banking, cash deposit and payment machines, point of sales merchant acquiring services.

With total assets of over RO 4.2 billion as on 30 September 2018, BankDhofar is one of the fastest growing banks in Oman. The growth of the Bank's business is presented in the following table:

(RO million)

	As on 30 September 2018	2017	2016	2015
Total Assets	4,262.63	4,246.71	3,952.04	3,593.06
Loans, advances and financing to customers	3,184.78	3,248.87	2,988.59	2,729.31
Deposits from customers	3,041.23	3,068.41	2,885.19	2,592.37
Operating Income	100.66	126.93	127.35	115.23
Operating Profit	50.77	67.93	70.58	64.03
Net Profit	36.49	47.63	47.62	46.77
Capital Adequacy	14.52%	15.44%	14.41%	14.70%

3.4 Capital Structure and Capital Adequacy :

The major highlights of the CBO regulations on capital adequacy are:

(i) Under Basel II:

a. To maintain CAR at a minimum of 11% with effect from 1 April 2018 (previously the minimum CAR was 12%);
b. To adopt a standardized approach for credit risk for implementing Basel II, using national discretion for:
   - Adopting credit rating agencies as external credit assessment institutions for claims on sovereigns and Banks;
   - Adopting a simple/comprehensive approach for Credit Risk Mitigants
   - Treating all corporate exposures as unrated and assigning 100% risk weight.
c. To adopt a standardized approach for market risk and a basic indicator approach for operational risk;
d. Capital Adequacy returns must be submitted to the CBO on a quarterly basis; and
e. The Bank's external auditors must review capital adequacy returns.

(ii) Under Basel III

In line with the international best practices, the CBO issued two concept papers entitled "Regulatory Capital under Basel III" and "Composition of Capital Disclosure Requirements" (CBO Circular No. BM 1114, issued on 17 November 2013), and as amended or supplemented). The two concept papers are based on the rules issued by the Basel Committee on Banking Supervision and provide for guidelines on regulatory capital and disclosure requirements under Basel III. The guidelines set out in the concept papers emphasise the importance of insuring that risk exposures of a bank are backed by an adequate amount of high quality capital which absorbs losses on a going concern basis.

a. The predominant form of capital shall be Tier 1 capital of which CET1 will form the major component. The minimum CET 1 shall be 7% and minimum Tier1 shall be 9%.
b. Maintain CAR at a minimum of 12.875% (w.e.f. 1 April 2018) including the capital conservation buffer of 1.875%.
c. The remaining last tranche of 0.625% (out of total four tranches) of capital conservation buffer shall be enforced on 1 January 2019. Banks are required to maintain the following minimum capital adequacy ratios at all times:
   - Within the overall requirement of 12.875% CAR, Tier 1 ratio (including capital conservation buffer) is to be maintained at a minimum of 10.875%;
   - Within the minimum Tier 1 ratio of 10.875%, minimum CET 1 ratio is to be maintained at 8. 875%; and
   - Further, within the minimum overall CAR of 11% (excluding the capital conservation buffer), Tier 2 capital can be admitted up to a maximum of 2% of a bank's risk weighted assets.

- The above requirement will change correspondingly with the implementation of an additional capital conservation buffer of 0.625% in 2019.

A Countercyclical Capital Buffer (CyCB) has also been introduced to protect the banking sector from systemic risk during periods of economic volatility. The CyCB is now formalised but not yet imposed and if imposed shall lie between 0% and 2.5% of total risk weighted assets as an extension of capital conservation buffer.

d. Compliance with Clause 10 under Part D of CP-1 Guidelines on Regulatory Capital under Basel III.

(iii) Under the Islamic Banking Regulatory Framework:

Islamic windows of domestic conventional banks shall maintain a minimum allocated capital of RO 10 million at all times and need to maintain CAR at a minimum of 11%.

a) Capital Structure:

The capital base for complying with capital standards is quite distinct from accounting capital. The regulatory capital is broadly classified into two categories – Tier 1 and Tier 2. BankDhofar's capital structure consists of Tier 1 capital and Tier 2 capital. The components of and criteria for inclusion in Tier 1 and Tier 2 capital are set out in the Guidelines on Regulatory Capital under Basel III in CBO Circular BM 1114 (CP-1) and the salient features are summarized below:

Tier 1 capital which comprises CET1 (which is the predominant component of Tier -1 capital and Additional Tier -1 (AT 1) capital. CET1 includes paid up capital, share premium, legal and general reserves and other disclosed reserves, including subordinated loan reserves, non-cumulative perpetual preferred stocks and retained earnings (available on a long term basis) less regulatory adjustments like cumulative losses of financial instruments classified as available for sale, goodwill and other intangibles. Additional Tier 1 Capital shall consist of Capital instruments issued by the bank that meet the certain specific requirements, and are not included in CET1 Capital, premium resulting from the issue of Additional Tier I instruments, qualifying Additional Tier 1 capital instruments issued by consolidated subsidiaries of the bank held by third parties, as determined under CBO guidelines on minority interest and which are not included in CET 1, less regulatory adjustments applied in the calculation of Additional Tier 1 Capital, as indicated in CBO guidelines.

Tier 2 (Supplementary capital) consists of undisclosed reserves, revaluation reserves / cumulative fair value gains on available for sale instruments, general loan loss provision/ general loan loss reserve in capital, hybrid debt capital instruments and subordinated term debt subject to certain conditions.

The details of capital structure as on 30 September 2018 is as under:

(RO'000)

Particulars	Amount
Common Equity Tier (CET) 1/ TIER 1 CAPITAL	
Paid up capital	243,849
Legal reserve	50,254
Share premium	77,564
Special reserve	18,488
Subordinated bonds and loan reserve	42,325
Retained earnings	8,337
Proposed bonus shares	-
CET I/Tier I Capital	**440,817**

Particulars	Amount
Additional Tier 1 regulatory adjustments:	
Deferred tax Assets	(62)
Goodwill	(894)
Special revaluation reserve investment IFRS9	(709)
Negative investment revaluation reserve	(1,041)
Total CET 1 capital	**438,111**
Additional Tier 1 capital (AT1)	115,500
Total Tier 1 Capital (T1=CET1+AT1)	**553,611**
TIER II CAPITAL	
Investment revaluation reserve	159
Collective provision	20,242
Subordinated loan	46,550
Total Tier II capital	**66,951**
Total eligible capital	**620,562**

On 26 April 2018, the Board approved the issuance of Ordinary Shares to raise a capital of RO 55 million by way of a rights issue. The subscription for the rights issue opened on 20 November 2018 and ends on 9 December 2018. Please refer to the Bank's disclosures on the MSM for further information on this matter.

b) Capital Adequacy:

The Bank has adopted a Standardized Approach for computation of capital charge for credit risk and market risk, and a Basic Indicator Approach for operational risk. Under Standardized approach for credit risk, the Bank has adopted a simple approach for recognizing collaterals in the banking book and for risk weighting the claims on sovereigns and banks, credit ratings of external credit assessment institutions is used. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to CBO.

The Bank's CAR was 14.52% as at 30 September 2018 as against the CBO requirement of 12.875%. The Bank's policy is to manage and maintain its capital with the objective of maintaining adequate CAR. The Bank maintains capital levels that are sufficient to absorb all material risks the Bank is exposed to and provides market return to the shareholders. The Bank also ensures that the capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors and senior creditors. The whole objective of the capital management process in the Bank is to ensure that the Bank remains adequately capitalized at all times. In 2015, the Bank successfully raised Additional Tier 1 Capital of USD 300 million in the form of Perpetual Bonds listed on the Irish Stock Exchange (now called Euronext Dublin). In addition, the Bank successfully raised RO 40 million CET 1 capital in 2016 and another RO 40 million CET 1 capital in 2017.

The Bank has in place an Internal Capital Adequacy Assessment Process (ICAAP) for assessing the Bank's capital adequacy in relation to the Bank's risk profiles as well as a strategy for maintaining its capital level. The objective of the Bank's ICAAP is to explain its risk policies adopted, target risk structure and capital planning, the process of assessing the capital adequacy for credit, market and operational risk, specific assessment procedures for risks not covered under Pillar I, processes of internal control mechanisms and stress testing methodologies adopted by the Bank.

The Bank has also formed a working group on capital planning which regularly meets and assesses the Bank's capital adequacy to support projected asset growth. The CAR is periodically assessed and is reported to a Board Risk Management Committee. The composition of capital in terms of Tier I (CET 1 + AT 1), Tier II and total CAR are also analyzed to ensure capital stability and to reduce volatility in the Bank's capital structure.

Detail of Capital Adequacy as on 30 September 2018:

(RO '000)

Particulars	Amount
Risk weighted assets -	
Banking book	3,915,591
Trading book	114,283
Operational risk	243,793
Total Risk weighted assets	**4,273,667**
Total Tier 1 Capital (T1=CET1+AT1)	553,611
Tier II capital	66,951
Tier III capital	-
Total regulatory capital	**620,562**
Common Equity Tier 1 ratio	10.25%
Tier I capital ratio	**12.95%**
Total capital ratio	**14.52%**

3.5 Asset Quality and Provisioning

The Bank evaluates the asset quality of its loan portfolio using two primary measures- the provisioning ratio and the non-performing loans ratio. The provisioning ratio is the annual charge for provisions as a percentage of total loans. The non-performing loans ratio is the ratio of non-performing loans as a percentage of total loans. Further, risk movement is tracked through detailed portfolio analysis. The Bank adheres to the extant regulatory guidelines of assigning risk weighting to its credit exposures based on counterparties involved and risk weighting for non-funded exposures after the application of credit conversion factors. It has adopted a standardized approach in computing capital adequacy. The classification of credit exposures is adopted by the Bank for identifying impaired credit facilities, as per CBO circular number BM 977 dated 25 September 2004. and BM 1419 dated 13 April 2017 The Bank has also implemented the provisions of IFRS 9 that became mandatory from 1 January 2018.

The Bank has adopted the CBO norms for making provisions against loans and advances on a portfolio basis which represents an expected loss to the portfolio.

The Bank has an asset and liability management policy approved by the Board. The policy includes the various aspects of asset and liability management within the Bank.

3.6 Risk Management

The primary responsibility of understanding the risks assumed by the Bank and ensuring that these risks are appropriately managed is vested with the Board of Directors of the Bank. The Board has set risk policies, limits and procedures by assessing the risk bearing capacity of the Bank.

Overall risk management has been delegated to the Board Risk Management Committee (BRMC), which monitors and controls the overall risk profile (including Islamic Window MAISARAH). The BRMC reports to the full Board, on matters of significance and keeps the Board continuously updated with the Risk Management process in the Bank. In this task, the BRMC relies on an independent Risk Management Division (RMD).
The Bank has a well-established RMD with a team of competent and experienced professionals. The primary responsibility of the RMD is to ensure on a continuous basis that an effective risk management framework exists and the various divisions of the Bank (including MAISARAH) function within this framework. The RMD also functions as an interface between the management and the Board in defining appropriate risk tolerance levels for various business lines and operating divisions of the Bank and in ensuring that policies and procedures are tailored to the defined tolerance levels.

The Bank's risk management strategy statement is expressed as follows:

- compliance with regulatory capital requirements;
- ensuring balanced performance across business units;
- placing emphasis on the diversity, quality and stability of earnings;
- making disciplined and selective strategic investments;
- maintaining adequate capital adequacy;
- providing qualitative and quantitative benchmarks to gauge broad alignment between initiatives and risk appetite; and
- stable funding and strategic liquidity management allowing for business planning within the liquidity risk tolerance and regulatory requirements.

The Bank defines risk strategy and risk appetite on the basis of the strategic plan to ensure alignment of risk, capital and performance targets. The risk strategy of the Bank includes the risk and capital plan and risk appetite, which allow the Bank to:

- review the capital adequacy requirement with respect to risk, considering Bank's strategic focus and business plans;
- assess risk-bearing capacity with regard to internal and external requirements and
- apply stress testing to assess the impact on the capital demand, capital base and liquidity position.

3.7 Objects of the Bank

Under the Articles of Association, the objects for which the Bank is established are as stated below:

The objects of the Bank shall be to carry on all commercial banking activities which shall include but not limited to the following within the scope of the license granted by the CBO in accordance with the Banking Law and the amendments thereto and the Banking Regulations issued pursuant thereto:

(i) to receive money on demand, current account, deposit or loan or otherwise with or without interest or other conditions, to open accounts and to offer and provide account facilities, and to employ money and securities in any manner which the Bank may consider expedient;
(ii) to advance or lend money with or without charges, guarantees and any other security and on any other terms and to renew reschedule and otherwise vary any such advances and loans;
(iii) to draw, make, accept, endorse, grant, discount, acquire, buy, sell, issue, negotiate, transfer, hold, invest, or deal in and honour, retire, pay or secure bills of exchange, promissory notes, treasury bills (whenever applicable), cheques, coupons, drafts, bills of lading, warrants, bonds, certificates of deposit and other instruments and securities of any kind whatever;
(iv) to make deposits in other banks;
(v) to buy, sell and deal in foreign exchange, bullion, specie, precious metals and minerals;
(vi) to grant, issue and negotiate letters of credit and/or letters of guarantee and circular notes and to advance money on bills of lading, transport certificates and delivery bonds for goods consigned inland or abroad;

(vii) to issue guarantees and indemnities for the benefit of any person or company with or without collateral;
(viii) to collect transfer orders, debt certificates, bills of lading and other certificates for the account of any person or company;
(ix) to keep in safe custody every type of written instrument, currency, precious metals, securities, parcels and packets and to act as trustee, accept proxies and nominate trustees;
(x) to participate in investments, industrial ventures and other economic activities including participation in capital whether in the form of shares, stocks, options, debentures or otherwise;
(xi) to carry out such banking activities as are necessary to fulfill the above mentioned objects and all other activities permissible under the Banking Law or otherwise permissible to be carried out by banks licensed pursuant to the Banking Law;
(xii) to carry on the Bank's objects in Oman and in any other part of the world and either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others, and either by or through agents, sub-contractors, trustees or otherwise;
(xiii) to acquire and hold shares in or otherwise participate in or be associated with any other organization having objects altogether or in part similar to those of the Bank, or carrying on any business capable of being conducted so as to benefit the Bank directly or indirectly;
(xiv) in furtherance of the Bank's objects to enter into contracts with any individual or company within or outside the Sultanate of Oman for the management of all or part of its operations and activities, or for assistance in such management by local or foreign sources of expertise;
(xv) in furtherance of the Bank's objects to enter into association with any other company or companies which may carry on activities similar to its own activities and which might assist it in accomplishing of its objects within or outside the Sultanate;
(xvi) to carry out banking activities compatible with the provisions of Islamic Sharia law through the establishment of Islamic banking window to provide business and Islamic banking services, according to the provisions of the banking law and regulations and instructions of the CBO; and
(xvii) in furtherance of the Bank's objects, to perform all acts enter into all contracts and dealings and do all things necessary, suitable, convenient or proper for the accomplishment thereof which are permissible under the laws of Oman in force from time to time.

3.8 Licences

The Bank presently holds the following material licences:

Authority	Description	Issue Date	Expiry Date
MOCI	Commercial Registration Certificate Number: 1291106	14/01/1990	13/01/2019
OCCI	Membership Certificate Number 656	27/02/2017	27/02/2019
CBO	Commercial Banking License	26/01/2004	Ongoing as per the Banking Law
	Islamic Banking License	Issued for each Islamic Banking Branch. Currently 10 branches are in operation.	
	Investment Banking License	26/01/2004	Ongoing
CMA	Registration No. CMI020 for the following activities: (1)Brokerage (2) Issue Management (3) Managing Investment Fund (4) Portfolio Management (5) Marketing Non-Omani Securities (6) Investment Advice and Research.	31/12/2015	31/12/2018

3.9 Corporate and other approvals obtained for the Bonds Issue

3.9.1 Shareholders' Approval

The shareholders of the Bank approved the Bonds Issue at an Extraordinary General Meeting held on 27 March 2018.

3.9.2 Board Approval

The Board approved the Bonds Issue at its meeting held on 29 January 2018.

3.9.3 Board Capital, Funding and Investment Committee*

- on 24 May 2018, the Board Capital, Funding and Investment Committee approved the appointment of:

- (a) Gulf Baader Capital Markets SAOC as the Financial Advisor, Lead Issue Manager and Placement Agent for the Bonds Issue;
  (b) BankDhofar SAOG - Investment Banking Department as the Co-Issue Manager to manage the Bonds Issue; and
- Dentons & Co Oman Branch as the Legal Advisor to the Bonds Issue.

*this committee was merged with the Board Executive Committee in July 2018.

3.9.4 CBO Approval

The CBO granted its in-principle approval of the Bonds Issue vide its letter no. BSD/2018/BKUP/BD/494 dated 18 September, 2018.

3.9.5 CMA Approval

The CMA approved this Prospectus vide its Administrative Decision No. E/86/2018 dated 29 November 2018.

3.10 Change in Bank's equity capital

The below table sets out the changes in the Bank's equity capital during the last five years:

Year	Paid-up capital opening balance (RO '000)	Distributions of bonus shares / Rights Issue (RO '000)	Stock Dividend as % to paid-up capital	Paid-up capital closing balance (RO '000)
2014	121,013	13,311	11%	134,324
2015	134,324	20,149	15%	154,473
2016	154,473	15,447	10%	189,920
		20,000**	-	
2017	189,920	14,244	7.5%	225,786
		21,622**	-	
2018	225,786	18,063	8%	243,849*

**as on the date of this prospectus*
***Rights Issue*

3.11 Shareholding Details

The significant shareholders as at 30 September 2018, owning 5% or more of the paid-up capital of the Bank are as follows:

Name	Nationality	Class of Equity	No. of Shares	%
Dhofar International Development & Investment Holding Co. SAOG	Omani	Equity shares	682,776,167	28.00
Civil Service Pension Fund	Omani	Equity shares	243,848,568	10.00
Malatan Trading & Contracting Co	Omani	Equity shares	242,526,769	9.95
Eng. Abdul Hafidh Salim Rajab Al Aujaili	Omani	Equity shares	201,612,021	8.27
Public Authority of Social Insurance	Omani	Equity shares	201,283,269	8.25
HSBC A/C Ministry of Defence Pension Fund	Omani	Equity shares	171,057,711	7.01
HSBC a/c CSZ a/c Qais Omani Establishment LLC	Omani	Equity shares	152,866,658	6.27

3.12 Property Interests of the Bank

Description	Location	Freehold / Leasehold	Remarks
Head Office Building and Land	Muttrah Business District	Freehold	Bank owns land in Muttrah Business District where its head office is located

3.13 Sources of Financing and Debt Equity Ratio

The main sources of financing are set out in the below table:

(in RO '000)

Particulars	As on 30 September 2018	As on 31 December 2017
Due to banks	394,273	387,742
Deposits from customers	3,041,225	3,068,409
Other liabilities	163,785	114,677
Total Short Term Debt	**3,599,283**	**3,570,828**
Subordinated loans	63,875	88,875
Total Long Term Debt	**63,875**	**88,875**
Total Debt	**3,663,158**	**3,659,703**
Shareholders' equity		
Share capital	243,849	225,786
Share premium	77,564	77,564
Special reserve	18,488	18,488
Legal reserve	50,254	50,254

Particulars	As on 30 September 2018	As on 31 December 2017
Special Reserve – Restructured Loans	1,281	1,281
Special Impairment Reserve IFRS 9	7,016	-
Subordinated loan reserve	42,325	42,325
Special revaluation reserve investment IFRS 9	(709)	-
Investment revaluation reserve	(919)	507
Retained earnings	44,822	55,302
Total equity attributable to the equity holders of the Bank	**483,971**	**471,507**
Perpetual Tier 1 Capital Securities	115,500	115,500
Total equity	**599,471**	**587,007**
Total financing sources	4,262,629	4,246,710
Total Debt/ Equity attributable to the equity holders	7.57	7.76

3.14 Contingent liabilities

Credit related contingent items

Letters of credit, guarantees and other commitments for which there are corresponding customer liabilities:

(in RO '000)

	30 September 2018	2017	2016	2015
Letters of credit	107,320	132,067	125,671	133,358
Guarantees & performance bonds	912,682	886,902	920,277	710,960
Total	**1,020,002**	**1,018,969**	**1,045,948**	**844,318**

At 31 December 2017, letters of credit, guarantees and other commitments amounting to RO 240,088 thousand (2016: RO 262,163 thousand) are counter guaranteed by other banks.

At 31 December 2017, the unutilised limits towards the loans, advances and financing to customers amount to RO 960,137 thousand (2016: 832,992 thousand).

3.15 Internal Audit

There were no major adverse unresolved observations arising from the internal audit of the Bank during the period ended 30 September 2018.

3.16 Employee Details

As on 30 September 2018, total number of staff were 1,598 and Omanisation was 93.719%.

3.17 Legal Proceedings

The Bank does not have any major/material legal proceedings pending, either instituted by, or against the Bank, other than cases filed by clients in the normal course of business. The cases filed by the Bank against its borrowers are in the normal course of its business.

There are cases where judgments are issued in favor of the Bank and some others against the Bank. However, these are judgements of a non-material monetary value.

CHAPTER 4 - OMAN ECONOMY

Economic Overview

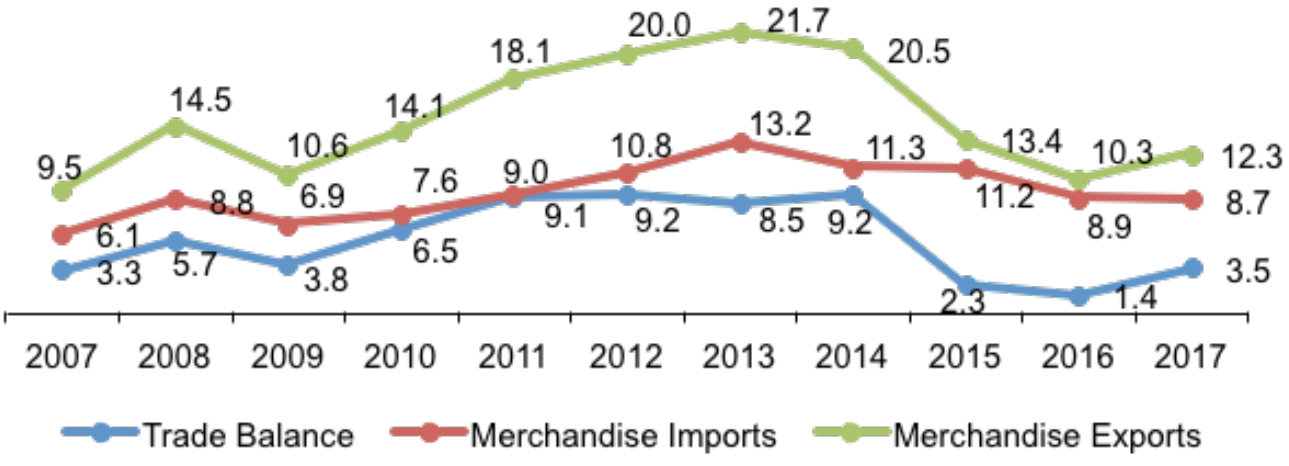
Oman has a credit rating of "BB" (Stable Outlook) by Standard & Poor's on 10 November 2017 and "Baa3" (Negative Outlook) by Moody's Investor Services on 16 March 2018. Fitch Ratings affirmed Oman's rating at 'BBB-' (Negative Outlook) on 26 June 2018.

Since the discovery of oil, its extraction and exportation has served as the backbone of Oman's economy and is the principal contributor to the Government's revenues, exports and gross domestic product ("GDP"). Dubai Mercantile Exchange's Oman Crude Oil Futures Contract is now the third of three global crude oil benchmarks and sets the benchmark export price for crude oil produced in Oman and Dubai. Oman is the world's 21st largest producer of oil and the 26th largest producer of gas, and held the world's 24th largest proven oil reserves and 28th largest proven gas reserves, according to The World Factbook published by the US Central Intelligence Agency. The Government continues to focus on diversification of the economy in order to gradually reduce its dependence on oil and hydrocarbon revenues.

The Financial Affairs and Energy Resources Council is responsible for Oman's fiscal policy, including the endorsement of the annual general state budget. A net fiscal deficit of RO 3.5 billion was recorded in 2017, compared to a net fiscal deficit of RO 5.3 billion in 2016.

In 2017, the Government recorded total revenues of RO 9.2 billion, compared to total revenues of RO 7.4 billion in 2016; an increase of 24 percent. In 2017, the Government recorded total net oil and gas revenues of RO 6.8 billion compared to net oil and gas revenues of RO 5.0 billion in 2016. The increase in revenue was primarily due to an increase in average oil prices during 2017. In 2017, the Government recorded total public expenditure of RO 12.7 billion compared to total public expenditure of RO 12.65 billion in 2016. The slight increase in actual expenditures is attributed to higher investment spending on development and oil & gas projects, electricity sector subsidies and public debt servicing costs.

The graph below displays the trade balance figures in Oman during the period 2007 to 2017:



Source: NCIS and CIA Factbook

Budget 2018

The Government's total revenues have been budgeted to increase to RO 9.5 billion in 2018. The increase is projected as a combination of increase in oil revenues (USD 50/ barrel as compared to USD 45/barrel estimate for the budget in 2017) and higher non-oil revenues due to increase in corporate tax rate from 12 percent to 15 percent. The Government intends to continue to focus on cost rationalization across ongoing and investment expenditure as well as subsidies and has budgeted for total expenses of RO 12.5 billion. The projected deficit for 2018 is RO 3.0 billion proposed to be financed by a mix of domestic borrowing, international borrowing and financing from reserves.

Development Plans

National program for enhancing economic diversification (Tanfeedh)

The Tanfeedh program is an initiative launched by the Government in 2016 aimed at creating and implementing initiatives to diversify the Oman economy away from hydrocarbons. The focus sectors include tourism, manufacturing, and logistics with an aim to improve the investment climate in Oman and ease of doing business to attract local and foreign investment. The first phase of the eight phase program has created 121 initiatives to be implemented from 2017. Initial estimates are that these initiatives could increase GDP by more than RO 1.7 billion, and could create more than 30,000 jobs for Omani nationals.

Privatisation

In order to reduce reliance on borrowing by the government, the government is continuing its plan to sell-off or privatize certain assets. The initial steps being undertaken are to rationalise the holding of target assets, by transferring investments to a number of newly-formed, sector-specific holding companies, or by transferring them to the ownership of the sovereign wealth funds. With the privatisation program, the government is looking to maintain positive levels of private investment to spur economic growth.

Key Economic and Social Indicators

The following table shows a selection of key economic and social statistics for Oman for the periods indicated:

	2012	2013	2014	2015	2016	2017
GDP at market prices (RO billions)	29.5	30.4	31.2	26.9	25.5	27.7
Population (millions)	3.3	3.6	3.7	3.8	4.0	4.6
Annual inflation	2.9%	1.2%	1.0%	0.1%	1.1%	3.2%
MSM market capitalisation (RO billions)	11.7	14.2	14.6	15.8	17.3	17.9

Sources: IMF, World Bank (2012-16), CIA World Factbook (2017), MSM Annual Statistical Bulletin

CHAPTER 5 - DESCRIPTION OF THE BANKING SECTOR

5.1 Overview of the banking sector in Oman

The Oman banking system comprises commercial banks, specialised banks (such as Oman Housing Bank), Islamic banks and windows, non-bank finance and leasing companies and money exchange establishments. As at 30 September 2018, the number of conventional commercial banks stood at 16, of which 7 were locally incorporated and 9 were branches of foreign banks. The locally incorporated conventional commercial banks are BankDhofar SAOG, Bank Muscat SAOG, National Bank of Oman SAOG, HSBC Bank Oman SAOG, Oman Arab Bank SAOC, Bank Sohar SAOG and Ahli Bank SAOG.

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 provide 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 5 leasing companies, which are non-bank financial services providers. Leasing companies are regulated by the CBO and engage in leasing, hire purchase, debt factoring and similar asset-based financing in Oman. The core business of leasing companies in Oman is financing the purchase of vehicles and other assets, primarily by SMEs as well as retail and corporate customers.

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 Banking Law, the Islamic Banking Regulatory Framework (the "IBRF") was issued to provide detailed and comprehensive guidance on all aspects of Islamic banking. For example, the IBRF sets out the requirements for obtaining an Islamic banking licence from the CBO, the various accounting and reporting standards that Islamic banks licensed by the CBO are required to comply with as well as the supervisory role of the CBO in relation to various Islamic banking practices and products.

The introduction of Islamic banking in Oman 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. There are two locally incorporated Islamic banks, namely, Bank Nizwa SAOG and Alizz Islamic Bank SAOG. Bank Nizwa SAOG commenced operations in December 2012 and Alizz Islamic Bank SAOG commenced operations towards the end of 2013. A number of conventional banks, including the Bank, Bank Muscat, National Bank of Oman, Bank Sohar SAOG and Oman Arab Bank have established windows for Islamic banking.

International Banks

The Oman Foreign Capital Investment Law (promulgated by Royal Decree No. 102/1994, (as amended)) mandates that foreign companies can take no more than a 70% stake in a locally incorporated firm. A new foreign capital investment law is currently being drafted by the Ministry of Commerce and Industry (in collaboration with the World Bank Group), among others, to allow for 100% foreign ownership in companies incorporated in Oman. There is no indication of when the new law will be issued. Local operation through 100% foreign branches is permitted (subject to certain conditions being satisfied) in many sectors, including the banking sector. The foreign banks operating in Oman through branches include Standard Chartered Bank, Habib Bank, Bank Melli Iran, Bank Saderat Iran, Bank of Baroda, State Bank of India, First Abu Dhabi Bank, Bank of Beirut and Qatar National Bank.

CHAPTER 6 – TERMS AND CONDITIONS OF THE ISSUE

The following are the text of the Terms and Conditions of the Bonds (except for the text in italics) (the Conditions).

A. Each of the perpetual Bonds as Additional Tier 1 Capital Instruments, and any further perpetual capital securities issued pursuant to Condition 6.16 (Further Issues), is issued by Bank Dhofar SAOG in its capacity as issuer.

B. Any reference to holders in relation to any Bonds shall mean the persons in whose name the Bonds are registered in the Register.

6.1 FORM, DENOMINATION AND TITLE

6.1.1 Form and Denomination

Each Bond shall have a nominal value of OMR 1,000 and shall be fully paid-up at the time of its issue. Each Bond will be recorded in the Register.

6.1.2 Title

The MCDC shall act as the Registrar and transfer agent with respect to the Bonds and shall also act as the Trustee in accordance with the terms of the Trust Deed, which shall be entered into by and between the Issuer and the Trustee. The title to the Bonds passes on the recording of the transfer in the Register. The registered owner of the Bonds will, save as otherwise required by the Laws of Oman, be treated as the absolute owner of the Bonds for all purposes.

6.2 TRANSFERS OF BONDS

6.2.1 Transfers of interest in the Bonds

The administration of registration of transfers of the Bonds shall be maintained by the MCDC, the transfer agent. MCDC will act as the Registrar to the Bonds and maintain the Register which will include the names and addresses, the number of Bonds held and the bank account details of the Bondholders. The minimum quantity of Bonds that can be transferred and the process of transfer shall be in accordance with the CMA and MSM regulations.

6.2.2 Costs of registration

Any transaction or other charges levied by the MCDC shall be borne by the buyer and/or the seller of the Bonds in accordance with the prevailing regulations. All transfers of Bonds and entries on the Register will be made subject to the regulations concerning transfer of Bonds.

6.3 STATUS, SUBORDINATION

6.3.1 Status of the Bonds

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

6.3.2 Subordination of the Bonds

(a) The Obligations of the Bank 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 Bondholder may exercise or claim any right of set off in respect of any amount owed to it by the Bank arising under or in connection with the Bonds and each Bondholder shall, by virtue of being a Bondholder, 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 Bondholders in respect of the Obligations compared with the claims of holders or beneficiaries of Senior Obligations.

6.3.3 Other Issues

So long as any of the Bonds 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.

6.4 INTEREST

6.4.1 Interest Payments

Subject to Condition 6.5 (Interest Restrictions), the Bonds bear interest during the Initial Period at the Initial Interest Rate on the outstanding principal amount of the Bonds in accordance with the provisions of this Condition 6.4. The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be OMR 37.5 per OMR 1,000 in principal amount of the Bonds. The Bonds shall bear interest from each Reset Date to the next Reset Date at the then Relevant 5 Year Reset Rate.

Subject to Condition 6.5 (Interest Restrictions), interest shall be payable on the Bonds semi annually in arrears on each Interest Payment Date, in each case as provided in this Condition 6.4. Interest will not be cumulative and any interest which is not paid will not accumulate or compound and Bondholders 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 in OMR as an amount equal to the product of:

a) the applicable Interest Rate;
b) the outstanding principal amount of the relevant Bond; and
c) the applicable Day-count Fraction for the Relevant Period,

rounding the resultant figure to the nearest Baiza.

(a) Interest Rate

Subject to Condition 6.5 (Interest Restrictions), the Bonds shall bear interest from (and including) the Issue Date to (but excluding) the First Call Date at a rate of 7.5% per annum (Initial Interest Rate) on the outstanding principal amount of the Bonds in accordance with the provisions of this Condition 6.4.1 (a).

As per Capital Regulations, Interest Payments shall only be paid out of distributable items (accumulated and realised profits as approved by CBO, so far as they have not been previously distributed or capitalised, less accumulated losses).

(b) Reset Interest Rate

For the purpose of calculating payments of interest on and from the First Call Date, the interest rate will be reset on each Reset Date on the basis of the aggregate of the Initial Margin and the Relevant 5 Year Reset Rate on the Determination Date, as determined by the Bank. For the avoidance of doubt, the reset shall apply to the Relevant 5 Year Reset Rate and not to the Initial Margin.

The Bank will, as soon as practicable upon determination of the Interest Rate which shall apply to the Reset Period commencing on the relevant Reset Date, cause the applicable Interest Rate and the corresponding Interest Payment Amount to be notified to Bondholders in accordance with Condition 6.15 (Notices) as soon as possible after their determination but in no event later than the second Business Day thereafter.

(c) Determinations of the Bank are Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6.4, shall (in the absence of willful default, bad faith or manifest error) be binding on the Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Bondholders shall attach to the Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

6.5 INTEREST RESTRICTIONS

6.5.1 Non-Payment Event

Notwithstanding Condition 6.4.1 (Interest Payments), if any of the following events occurs (each, a Non-Payment Event), Interest Payment Amounts shall not be paid on any Interest Payment Date:

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

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

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

6.5.2 Non-Payment Election

Notwithstanding Condition 6.4.1 (Interest Payments), the Bank may in its sole discretion elect that Interest Payment Amounts shall not be paid to Bondholders on any Interest Payment Date (each a Non-Payment Election). The foregoing shall not apply in respect of any amounts due on any date on which the Bonds are to be redeemed in full in accordance with Condition 6.8.1 (Redemption and Variation).

For the avoidance of doubt, the Bank will have the right to otherwise use any Interest Payment Amounts not paid to Bondholders and such non-payment will not impose any restriction on the Bank other than as set out in Condition 6.5.4 (Dividend and Redemption Restrictions).

6.5.3 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 give notice to the Bondholders in accordance with Condition 6.15 (Notices) in each case providing details of the Non Payment Election or Non-Payment Event: (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.

However, any failure to provide such notice shall not invalidate the cancellation of the relevant payment of the Interest Amount.

Bondholders 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.

6.5.4 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 6.5.1 (Non-Payment Event) or 6.5.2 (Non-Payment Election) (as the case may be), then, from the date of such Non-Payment Event or Non-Payment Election (the Dividend Stopper Date), the Bank will not, so long as any of the Bonds are outstanding:

(a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
(b) pay interest, profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities, ranking, as to the right of payment of dividend, distributions or similar payments, junior to or pari passu with the Obligations (excluding securities the terms of which do not at the relevant time enable the Bank to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the Applicable Regulatory Capital Requirements; or
(c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Ordinary Shares; or
(d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Bank ranking, as to the right of repayment of capital, junior to or pari passu with the Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the Applicable Regulatory Capital Requirements,

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

6.6 PAYMENTS

6.6.1 Payments in respect of Bonds

Subject to as provided below, payments will be made by credit or transfer to the Bondholder's bank account registered with MCDC (Designated Account).

Payments of principal in respect of each Bond will be made to the Designated Account of the Bondholder 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 Muscat) before the relevant due date. Notwithstanding the previous sentence, if a Bondholder does not have a Designated Account, payment will instead be made by a cheque in OMR drawn on a Designated Bank (meaning a bank duly licensed by the CBO in Oman).

Interest payments in respect of each Bond will be made to the Designated Account of the Bondholder (or the first named of joint holders) appearing in the Register on / before the relevant due date at his/her address shown in the Register. Upon application of the Bondholder to the head office of the Bank, 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 Bonds which become payable to the Bondholder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such Bondholder. Interest Payment Amounts due in respect of each Bond on redemption will be made in the same manner as payment of the principal amount of such Bond.

Bondholders will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Bond as a result of any payment being made by cheque. No commissions or expenses shall be charged to such Bondholders by the Registrar in respect of any payments of principal or interest in respect of the Bonds.

6.6.2 Payments Subject to Laws

All payments are subject in all cases to: (a) any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 6.13 (Taxation); and (b) any withholding or deduction required pursuant to any law in any jurisdiction implementing an intergovernmental approach thereto.

No commission or expenses shall be charged to the Bondholders in respect of such payments.

6.6.3 Payment Day

If the date for payment of any amount in respect of the Bonds is not a Payment Day, the Bondholders thereof shall not be entitled to receive payment until the next following Payment Day and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, Payment Day means any Business Day which (subject to Condition 6.14 (Prescription)) is a day on which commercial banks are open for general business in Muscat.

6.7 Interpretation of principal and interest

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

(a) any Additional Amounts which may be payable with respect to principal under Condition 6.13 (Taxation);
(b) the Early Redemption Amount of the Bonds;
(c) the Capital Event Redemption Amount of the Bonds; and
(d) the Tax Redemption Amount of the Bonds.

Any reference in the Conditions to interest in respect of the Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to distributions under Condition 6.13 (Taxation).

6.8 REDEMPTION AND VARIATION

6.8.1 Redemption and Variation

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

The Bonds 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 6.12 (Events of Default) and without prejudice to the provisions of Condition 6.14 (Prescription)) only have the right to redeem the Bonds or vary the terms thereof in accordance with the following provisions of this condition 6.8.

The redemption of the Bonds or variation of the Conditions, in each case pursuant to this Condition 6.8, is subject to the prevailing laws of Oman and the following conditions:

(i) the prior consent of the Regulator;
(ii) the requirement that, at the time when the relevant notice of redemption or variation is given and immediately following such redemption or variation (as applicable), the Bank is or will be (as the case may be) in compliance with the Applicable Regulatory Capital Requirements; and
(iii) (in the case of Conditions 6.8.1(c) (Redemption or Variation due to Taxation) or 6.8.1(d) (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 Bonds becomes effective after the Issue Date,

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

(a) vary (except as mentioned below) the terms of the Bonds which is not prejudicial to the interests of the Bondholders;
(b) make any variations to the terms of the Bonds 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 of Oman.

Any such variation shall be binding on the Bondholders and any such variation shall be notified to the Bondholders in accordance with Condition 6.15 (Notices) as soon as practicable thereafter.

(b) Bank's Call Option

Subject to Condition 6.8.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation), the Bank may, by giving not less than 30 nor more than 60 days' prior notice to the Bondholders and to the Trustee and Registrar in accordance with Condition 6.15 (Notices) (which notices shall be irrevocable and specify the date fixed for redemption) redeem all, but not some only, of the Bonds at the Early Redemption Amount.

Redemption of the Bonds pursuant to this Condition 6.8.1(b) may only occur on the First Call Date or any Call Date thereafter.

In exercising the Call Option, the Bank shall comply with the Capital Regulations including but not limited to:

- Replacement of the Bonds with an instrument of the same or better quality in a manner that the replacement conditions are sustainable for the income capacity of the Bank.
- Demonstrate to the satisfaction of CBO that the capital position is and can be sustained well above the capital adequacy and capital buffer requirements set out in the Capital Regulations even after the Call Option is exercised.
- Obtain prior written approval of the CBO.

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

(c) Redemption or Variation due to Taxation

(i) Subject to Condition 6.8.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation), upon the occurrence of a Tax Event, the Bank may, by giving not less than 30 nor more than 60 days' prior notice (unless the implementation date for the change in tax laws, or amendment to or interpretation of the tax laws, which results in the Tax Event occurs in less than 30 days, in which case the Bank may give notice at any time after the relevant implementation date) to the Bondholders in accordance with Condition 6.15 (Notices), which notices shall be irrevocable: (A) redeem all, but not some only, of the Bonds at the Tax Redemption Amount; or (B) vary the terms of the Bonds so that they remain or, as appropriate, become, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the Bondholders.

(ii) Redemption of the Bonds, or variation of the Conditions, pursuant to this Condition 6.8.1(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 Bonds then due.

(iii) Prior to the publication of any notice of redemption or variation (as the case may be) pursuant to this Condition 6.8.1(c), the Bank shall give to the Bondholders: (A) a certificate signed by two authorised signatories of the Bank stating that: (I) the conditions set out in Condition 6.8.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation) have been satisfied; (II) a Tax Event has occurred; and (III) in the case of a variation only, the varied Bonds are Qualifying Tier 1 Instruments and that the Regulator has confirmed that they satisfy limb (a) of the definition Qualifying Tier 1 Instruments; and (B) an opinion of independent legal advisors of recognised standing to the effect that the Bank has or will become obliged to pay Additional Amounts as a result of the Tax Event. Such certificate delivered in accordance with this Condition shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above. Upon expiry of such notice, the Bank shall redeem or vary the terms of the Bonds (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 6.8.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation), upon the occurrence of a Capital Event, the Bank may, by giving not less than 30 nor more than 60 days' prior notice to the Bondholders in accordance with Condition 6.15 (Notices), which notice shall be irrevocable: (A) redeem all, but not some only, of the Bonds 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 Bonds so that they remain or, as appropriate, become, Qualifying Tier 1 Instruments without any requirement for consent or approval of the Bondholders.

(ii) Redemption of the Bonds, or variation of the Conditions, pursuant to this Condition 6.8.1(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 6.8.1(d) the Bank shall give to the Bondholders, a certificate signed by two authorised signatories stating that: (A) the conditions set out in Condition 6.8.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation) have been satisfied; (B) a Capital Event has occurred; and (C), in the case of a variation only, the varied Bonds 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 Bonds (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 Conditions 6.8.1(c) (Redemption or Variation due to Taxation) or 6.8.1(d) (Redemption or Variation for Capital Event), the Bank will not be obliged to pay and will not pay any liability of any Bondholder 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 Bonds 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 Bondholder.

6.9 Purchase

Subject to the Bank: (a) obtaining the prior written consent of the Regulator; (b) being in compliance with the Applicable Regulatory Capital Requirements and (c) complying with any requirements of the Capital Market Authority, the Bank may at any time after the First Call Date purchase, some or all, of the Bonds at any price in the open market or otherwise. Such Bonds must be cancelled by the Bank.

6.10 Cancellation

All Bonds which are redeemed will forthwith be cancelled. All Bonds so cancelled and any Bonds purchased and cancelled pursuant to Condition 6.9 (Purchase) above shall be forwarded to the Bank and cannot be reissued or resold.

6.11 WRITE-DOWN AT THE POINT OF NON-VIABILITY

6.11.1 Non-Viability Event

If a Non-Viability Event occurs, a Write-Down will take place in accordance with Condition 6.11.2 (Non-Viability Notice) below.

A Non-Viability Event means that upon the occurrence of a trigger event, which, in accordance with the definition of Non-Viability Event in the Definitions and Abbreviations section of this Prospectus, is the earlier of (a) the Regulator having notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without a Write-down or (b) a decision having been taken to make a public sector injection of capital or equivalent support, without which the Bank is, or will become, Non-Viable, the Bonds shall be permanently written down in whole or in part, as further provided in the definition of Write-down in Definitions and Abbreviations section of this Prospectus, 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.

A Write-Down will take place only with the approval of CBO.

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. However, the Bank may at any time depart from this policy at its sole discretion.

6.11.2 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 Bondholders thereof in accordance with Condition 6.15 (Notices) (a Non-Viability Notice). Upon provision of such Non-Viability Notice, a Write-Down of the Bonds shall take place on the Non-Viability Event Write-Down Date and, with effect from such date, Bondholders shall not be entitled to any claim for any amount subject to such Write-Down in connection with the Bonds. Any such Write-Down shall not constitute an Event of Default. Bondholders 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 Bonds in accordance with this Condition 6.11.2: (a) references in these Conditions to the "principal amount" or "outstanding principal amount" of the Bonds shall be construed as referring to the written-down amount; (b) the principal amount so written down will be cancelled and interest will continue to accrue only on the outstanding principal amount following such cancellation, subject to Conditions 6.5.1 (Non-Payment Event) and 6.5.2 (Non-Payment Election) as described herein; and (c) any amounts so written down may not be restored and Bondholders shall not have any claim thereto under any circumstances, including, without limitation (i) where the relevant Non-Viability Event is no longer continuing,

(ii) in the event of the liquidation or winding-up of the Bank, (iii) following the exercise of a call option by the Bank pursuant to Condition 6.8.1(b) (Bank's Call Option), or (iv) following the redemption or variation of the Bonds upon the occurrence of a Tax Event (pursuant to Condition 6.8.1(c) (Redemption or Variation due to Taxation)) or a Capital Event (pursuant to Condition 6.8.1(d) (Redemption or Variation for Capital Event)).

6.12 EVENTS OF DEFAULT

Notwithstanding any of the provisions below in this Condition 6.12, the right to institute winding-up proceedings is limited to circumstances where payment has become due. In the case of any payment of interest in respect of the Bonds, such payment may be cancelled pursuant to Condition 6.5 (Interest Restrictions) and, if so cancelled will not be due on the relevant payment date and, in the case of payment of principal, such payment is subject to the conditions set out in Condition 6.8.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation) being met and if these conditions are not met will not be due on such payment date. The cancellation of an interest payment or payment of principal shall not constitute an Event of Default.

Upon the occurrence of an Event of Default, any Bondholder may give written notice to the Bank at the registered office of the Bank, effective upon the date of receipt thereof by the Bank, that such Bond is due and payable, whereupon the same shall, subject to Condition 6.8 (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 Bondholder may at its discretion institute proceedings for the winding-up of the Bank and/or prove in the winding-up of the Bank and/or claim in the liquidation of the Bank for such payment, but the institution of such proceedings shall not have the effect that the Bank shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

No remedy against the Bank, other than the institution of the proceedings referred to in this Condition 6.12 (Events of Default), and the proving or claiming in any dissolution and liquidation of the Bank, shall be available to the Bondholders, whether for the recovery of amounts owing in respect of the Bonds or in respect of any breach by the Bank of any other obligation, condition or provision binding on it under the Bonds.

6.13 TAXATION

All payments of principal and interest in respect of the Bonds by the Bank will be made subject to any withholding or deduction for or on account of any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature 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 Bondholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Bonds (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 Bond:

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

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

6.14 PRESCRIPTION

Claims for payment in respect of the Bonds will become void unless made within a period of ten years after the Relevant Date thereof.

6.15 NOTICES

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register of the Bondholders maintained by the Registrar. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

Notices to be given by any Bondholder shall be in writing and given by lodging the same with the registered office of the Bank for the attention of the CEO's Office and which shall be deemed to have been received by the Bank when stamped with the official date stamp of the Bank.

6.16 FURTHER ISSUES

The Bank may from time to time without the consent of the Bondholders, 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). References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 6.16.

6.17 MEETINGS OF BONDHOLDERS AND MODIFICATION

The Bondholders have the right to participate in meetings of Bondholders in accordance with the provisions of the Trust Deed and articles 91 to 94 of the CCL.

The resolutions legally adopted at a meeting of the Bondholders shall be binding on all the Bondholders.

A meeting of the Bondholders of a certain issue shall be convened by means of a notice published in, at least, two daily newspapers on two consecutive days and shall be sent to each Bondholder, at least 15 days prior to the date specified for the meeting and the invitation shall not be valid unless it includes the agenda of the meeting.

The resolutions of the Bondholders shall not be valid unless such meeting is attended by, personally, or by proxy, a number of Bondholders representing at least two-thirds of the Bonds of a certain issue. Failing such quorum, a second meeting shall be convened to discuss the same agenda. The date of the second meeting of the Bondholders shall be notified to the Bondholders in the same manner followed with regard to the first meeting of Bondholders, one week, at least, prior to the date set for the second meeting. A quorum representing one-third of the Bonds shall be sufficient for the second meeting provided the second meeting is held within one month from the date of the first meeting. However, a resolution to reduce the interest rate of the Bonds or the face value of the Bonds or in a way to prejudice the rights of the Bondholders, shall not be adopted unless the meeting is attended by Bondholders who represent two-thirds of the Bonds.

Resolutions shall be adopted by two-thirds majority of the Bonds represented at the meeting.

The Bank shall send to the Trustee the same invitation as given to the Bondholders to attend any meeting of Bondholders. The Trustee shall attend such meetings and take part in the discussion. The Trustee shall not vote on the resolutions.

6.18 RIGHTS OF THIRD PARTIES

No rights are conferred on any third persons to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available under applicable law.

6.19 GOVERNING LAW AND DISPUTE RESOLUTION

The Bonds and any non-contractual obligations arising out of or in connection with the Bonds are governed by, and shall be construed in accordance with, the laws of Oman. The issue of the Bonds shall be governed by the laws of Oman. The courts of Oman shall have exclusive jurisdiction to settle any dispute and the parties hereby submit to the exclusive jurisdiction of such courts.

CHAPTER 7 - HISTORICAL FINANCIAL STATEMENTS

Details of historical financial data from 31 December 2015 to 30 September 2018 are provided below. For full financial statements of the Bank, please visit the MSM website www.msm.gov.om or the Bank's website www.bankdhofar.com.

INCOME STATEMENT

(in RO '000)

	9 months ended 30 September 2018	2017	2016	2015
Interest income	130,108	161,499	141,536	118,173
Interest expense	(62,872)	(76,894)	(50,750)	(33,695)
Net interest income	**67,236**	**84,605**	**90,786**	**84,478**
Income from Islamic financing	15,872	18,842	12,774	7,683
Unrestricted investment account holders' share of profit	(8,533)	(10,321)	(5,900)	(1,954)
Net income from Islamic financing and investment activities	**7,339**	**8,521**	**6,874**	**5,729**
Fees and commission income	15,882	20,898	17,878	17,019
Fees and commission expense	(3,687)	(3,646)	(3,169)	(1,729)
Net fees and commission income	12,195	17,252	14,709	15,290
Other income	13,888	16,549	14,982	9,729
Operating income	**100,658**	**126,927**	**127,351**	**115,226**
Staff and administrative costs	(47,192)	(55,673)	(53,360)	(47,862)
Depreciation	(2,700)	(3,321)	(3,407)	(3,337)
Operating expenses	**(49,892)**	**(58,994)**	**(56,767)**	**(51,199)**
Profit from operations	**50,766**	**67,933**	**70,584**	**64,027**
Provision for loan impairment	(11,888)	(17,588)	(19,925)	(14,305)
Recoveries from allowance for loan impairment	4,585	6,047	5,364	5,522
Bad debts written-off	(3)	(3)	(1)	(1)
Impairment of available-for-sale investments	-	(358)	(1,593)	(2,742)
Provision for Investment impairment	(66)	-	-	-
Profit from operations after provision	**43,394**	**56,031**	**54,429**	**52,501**
Income tax expense	(6,909)	(8,404)	(6,807)	(5,736)
Profit for the year	**36,485**	**47,627**	**47,622**	**46,765**
Earnings per share basic and diluted (Rial Omani)	0.014	0.019	0.019	0.024

**For the purpose of earning per share calculation, the Bank restates the previous year's weighted average number of shares outstanding, to include the bonus shares and bonus element in respect of right shares issued during the year. For more details, please see the Notes to Financial Statements of the Bank.*

BALANCE SHEET

(in RO '000)

	As on 30 September 2018	2017	2016	2015
Assets				
Cash and balances with Central Bank of Oman	298,352	326,819	265,889	439,833
Loans, advances and financing to banks	358,524	299,896	340,060	138,036
Loans, advances and financing to customers	3,184,776	3,248,873	2,988,592	2,729,306
investment Securities	295,697	290,855	254,771	205,193
Intangible asset	894	1,191	1,589	1,986
Property and equipment	13,877	9,524	8,328	8,795
Other assets	110,509	69,552	92,814	69,912
Total assets	**4,262,629**	**4,246,710**	**3,952,043**	**3,593,061**
Liabilities				
Due to banks	394,273	387,742	350,549	308,864
Deposits from customers	3,041,225	3,068,409	2,885,189	2,592,371
Other liabilities	163,785	114,677	128,430	111,422
Subordinated loans	63,875	88,875	53,875	103,875
Total liabilities	**3,663,158**	**3,659,703**	**3,418,043**	**3,116,532**
Shareholder's equity				
Share capital	243,849	225,786	189,920	154,473
Share premium	77,564	77,564	59,618	40,018
Legal reserve	50,254	50,254	45,176	40,214
Special reserve	18,488	18,488	18,488	18,488
Special reserve – restructured loans	1,281	1,281		
Special impairment reserve IFRS 9	7,016			
Subordinated loan reserve	42,325	42,325	31,550	62,025
Special revaluation reserve investment IFRS 9	(709)			
Investment revaluation reserve	(919)	507	1,459	327
Retained earnings	44,822	55,302	72,289	45,484
Total equity attributable to the equity holders of the Bank	**483,971**	**471,507**	**418,500**	**361,029**
Perpetual Tier 1 Capital Securities	115,500	115,500	115,500	115,500
Total equity	**599,471**	**587,007**	**534,000**	**476,529**
Total liabilities and equity	**4,262,629**	**4,246,710**	**3,952,043**	**3,593,061**
Net assets per share (Rial Omani)	0.198	0.209	0.220	0.234

STATEMENT OF CASH FLOWS

(in RO '000)

	9 months ended 30 September 2018	2017	2016	2015
Operating activities				
Interest, financing income, commission and other receipts	151,090	206,403	176,109	145,569
Interest payments, return on Islamic banking deposits	(69,715)	(83,705)	(48,037)	(36,171)
Cash payments to suppliers and employees	(51,172)	(52,050)	(64,813)	(39,817)
	30,203	**70,648**	**63,259**	**69,581**
Increase / (Decrease) in operating assets				
Loans, advances and financing to customers	56,894	(271,822)	(273,849)	(483,384)
Loans, advances and financing to banks	(28,900)	77,145	(211,520)	(4,688)
Receipts from treasury bills and certificates of deposits (net)	14,908	(65,373)	(39,528)	(154)
	42,902	**(260,050)**	**(524,897)**	**(488,226)**
Increase in operating liabilities				
Deposits from customers	50,819	183,220	292,818	110,192
Due to banks	5,578	37,526	42,456	132,960
	56,397	**220,746**	**335,274**	**243,152**
Net cash from operating activities	129,502	31,344	(126,364)	(175,493)
Income tax paid	(7,420)	(5,733)	(6,212)	(5,392)
Net cash used in operating activities	**122,082**	**25,611**	**(132,576)**	**(180,885)**
Investing activities				
Investment income	6,027	7,483	3,795	2,856
Purchase of investments	(20,284)	(10,014)	(7,191)	(9,976)
Proceeds from sale of investments	319	9,128	6,296	1,629
Dividend received	279	352	798	718
Purchase of property and equipment	(4,353)	(4,573)	(3,161)	(2,586)
Proceeds from sale of property and equipment	37	60	269	176
Net cash from / (used in) investing activities	**(17,975)**	**2,436**	**806**	**(7,183)**

	9 months ended 30 September 2018	2017	2016	2015
Financing activities				
Subordinated loan	(25000)	35,000	(50,000)	-
Proceeds from issue of perpetual tier 1 capital securities	-	-	-	115,500
Proceeds from rights issue of share capital, net		39,883	39,800	-
Additional tier 1 coupon	(3,956)	(7,912)	(7,912)	(3,956)
Perpetual tier 1 capital securities issuance cost			-	(755)
Dividend paid	(27,094)	(25,639)	(23,171)	(6,716)
Net cash (used in) / from financing activities	**(56,050)**	**41,332**	**(41,283)**	**104,073**
Net change in cash and cash equivalents	**48,057**	**69,379**	**(173,053)**	**(83,995)**
Cash and cash equivalents at the beginning of the year	414,879	345,500	518,553	602,548
Cash and cash equivalents at the end of the year	**462,936**	**414,879**	**345,500**	**518,553**
Cash and balances with Central Bank of Oman	298,352	326,819	265,889	439,833
Capital deposit with Central Bank of Oman	(500)	(500)	(500)	(500)
Loans, advances and financing to banks due within 90 days	166,622	89,145	52,164	61,660
Treasury bills within 90 days	-	-	28,865	19,249
Due to banks within 90 days	(1,538)	(585)	(918)	(1,689)
Cash and cash equivalents for the purpose of the cash flow statement	**462,936**	**414,879**	**345,500**	**518,553**

INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018

(in RO '000)

	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructure	Special impairment reserve IFRS9	Special revaluation reserve IFRS9	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
Balances as at 1st January 2018	**225,786**	**77,564**	**50,254**	**18,488**	**1,281**	**-**	**-**	**42,325**	**507**	**55,302**	**471,507**	**115,500**	**587,007**
Changes on initial application of IFRS 9	-	-	-	-	-	8,455	(709)	-	-	709	8,455	-	8,455
Restated balance on 1 January 2018	225,786	77,564	50,254	18,488	1,281	8,455	(709)	42,325	507	56,011	479,962	115,500	595,462
Profit for the period	-	-	-	-	-	-	-	-	-	36,485	36,485	-	36,485
Other comprehensive income for the period													
Net change in fair value through other comprehensive income	-	-	-	-	-	-	-	-	(1,426)	-	(1,426)		(1,426)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(1,426)	36,485	35,059	-	35,059
Transfer to Special Impairment Reserve IFRS9	-	-	-	-	-	(1,439)	-	-	-	1,439	-	-	-
Additional Tier 1 coupon	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,956)**	**(3,956)**	**-**	**(3,956)**
Transactions with owners recorded directly in equity													
Dividend for 2017	-	-	-	-	-	-	-	-	-	(27,094)	(27,094)	-	(27,094)
Bonus shares issued for 2017	18,063	-	-	-	-	-	-	-	-	(18,063)	-	-	-
Balances as at 30 September 2018	**243,849**	**77,564**	**50,254**	**18,488**	**1,281**	**7,016**	**(709)**	**42,325**	**(919)**	**42,822**	**483,971**	**115,500**	**599,471**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2017

(in RO '000)

	Share capital	Share premium	Special reserve	Legal reserve	Special Reserve – Restructured Loan	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital security	Total equity
Balances as at 1st January 2017	**189,920**	**59,618**	**18,488**	**45,176**	**-**	**31,550**	**1,459**	**72,289**	**418,500**	**115,500**	**534,000**
Total comprehensive income for the period											
Profit for the period	-	-	-	-		-	-	47,627	47,627	-	47,627
Other comprehensive income for the period											
Net change in fair value of available-for-sale investments	-	-	-	-		-	(1,266)	-	(1,266)	-	(1,266)
Reclassification adjustment on sale of available-for-sale investments	-	-	-	-		-	(44)	-	(44)	-	(44)
Impairment of available-for-sale investments	-	-	-	-		-	358	-	358	-	358
Total comprehensive income for the period	**-**	**-**	**-**	**-**		**-**	**(952)**	**47,627**	**46,675**	**-**	**46,675**
Transfer to legal reserve	-	-	-	4,763	-	-	-	(4,763)	-	-	-
Transfer to subordinated loan reserve	-	-	-	-	-	10,775	-	(10,775)	-	-	-
Issue of right shares	21,622	17,946	-	-	-	-	-	-	39,568	-	39,568
Excess of receipts over rights issue expenses	-	-	-	315	-	-	-	-	315	-	315
Transfer to special reserve – restructured loans	-	-	-	-	1,281	-	-	(1,281)	-	-	-
Payment towards Perpetual Tier 1 coupon	-	-	-	-	-	-	-	(7,912)	(7,912)	-	(7,912)
Transactions with owners recorded directly in equity											
Dividend for 2016	-	-	-	-		-	-	(25,639)	(25,639)	-	(25,639)
Bonus shares issued for 2016	14,244	-	-	-		-	-	(14,244)	-	-	-
Balances as at 31 December 2017	**225,786**	**77,564**	**18,488**	**50,254**	**1,281**	**42,325**	**507**	**55,302**	**471,507**	**115,500**	**587,007**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2016

(in RO '000)

	Share capital	Share premium	Special reserve	Legal reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
Balances as at 1 January 2016	**154,473**	**40,018**	**18,488**	**40,214**	**62,025**	**327**	**45,484**	**361,029**	**115,500**	**476,529**
Profit for the year	-	-	-	-	-		47,622	47,622	-	47,622
Other comprehensive income for the year										
Net change in fair value of available-for-sale investments	-	-	-	-	-	5	-	5	-	5
Transfer to statement of comprehensive income on sale of available-for-sale investments	-	-	-	-	-	(466)	-	(466)	-	(466)
Impairment of available-for-sale investments	-	-	-	-	-	1,593	-	1,593	-	1,593
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**1,132**	**47,622**	**48,754**	**-**	**48,754**
Transfer to legal reserve	-	-	-	4,762	-	-	(4,762)	-	-	-
Transfer to subordinated loan reserve	-	-	-	-	19,525	-	(19,525)	-	-	-
Transfer to retained earnings	-	-	-	-	(50,000)		50,000	-	-	-
Increase in share capital	20,000	-	-	-	-	-	-	20,000	-	20,000
Increase in share premium	-	19,600	-	-	-	-	-	19,600	-	19,600
Increase in legal reserve	-	-	-	200	-	-	-	200	-	200
Additional Tier 1 coupon	-	-	-	-	-	-	(7,912)	(7,912)	-	(7,912)
Transactions with owners recorded directly in equity										
Dividend paid for 2015	-	-	-	-	-	-	(23,171)	(23,171)	-	(23,171)
Bonus shares issued for 2015	15,447	-	-	-		-	(15,447)	-	-	
Balances as at 31 December 2016	**189,920**	**59,618**	**18,488**	**45,176**	**31,550**	**1,459**	**72,289**	**418,500**	**115,500**	**534,000**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2015

(in RO '000)

	Share capital	Share premium	Special reserve	Legal reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
Balances as at 1 January 2015	**134,324**	**40,018**	**18,488**	**35,537**	**41,250**	**(46)**	**55,747**	**325,318**		**325,318**
Profit for the year	-	-	-	-	-	-	46,765	46,765	-	46,765
Other comprehensive income for the year										
Net change in fair value of available-for-sale investments	-	-	-	-	-	(2,238)	-	(2,238)	-	(2,238)
Transfer to statement of comprehensive income on sale of available-for-sale investments	-	-	-	-	-	(131)	-	(131)	-	(131)
Impairment of available-for-sale investments	-	-	-	-	-	2,742	-	2,742	-	2,742
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**373**	**46,765**	**47,138**	**-**	**47,138**
Transfer to legal reserve	-	-	-	4,677	-	-	(4,677)	-	-	-
Transfer to subordinated loan reserve	-	-	-	-	20,775	-	(20,775)	-	-	-
Proceeds from Perpetual Tier 1 capital securities	-	-	-	-	-	-	-	-	115,500	115,500
Perpetual Tier 1 issuance cost	-	-	-	-	-	-	(755)	(755)	-	(755)
Additional Tier 1 coupon	-	-	-	-	-	-	(3,956)	(3,956)	-	(3,956)
Transactions with owners recorded directly in equity										
Dividend paid for 2014	-	-	-	-	-	-	(6,716)	(6,716)	-	(6,716)
Bonus shares issued for 2014	20,149	-	-	-	-	-	(20,149)	-	-	-
Balances as at 31 December 2015	**154,473**	**40,018**	**18,488**	**40,214**	**62,025**	**327**	**45,484**	**361,029**	**115,500**	**476,529**

CHAPTER 8 - SHARE PRICE MOVEMENT AND DIVIDEND POLICY

The following table gives the movement in the share price of the Bank for the period from 1 January 2015 to 30 September 2018:

8.1 Share Price Movement (Value in RO)

Year	Opening	High	Low	Closing
2015				
Q1	0.354	0.370	0.284	0.285
Q2	0.285	0.295	0.272	0.280
Q3	0.280	0.283	0.230	0.235
Q4	0.235	0.250	0.206	0.214
2016				
Q1	0.210	0.290	0.207	0.242
Q2	0.246	0.260	0.229	0.232
Q3	0.232	0.259	0.226	0.226
Q4	0.222	0.232	0.205	0.230
2017				
Q1	0.230	0.270	0.220	0.221
Q2	0.221	0.240	0.220	0.221
Q3	0.224	0.226	0.205	0.212
Q4	0.213	0.228	0.196	0.222
2018				
Q1	0.222	0.224	0.198	0.198
Q2	0.196	0.196	0.170	0.170
Q3	0.165	0.170	0.159	0.164

Source - MSM

8.2 Dividend policy

The Bank pays dividends when there are available distributable reserves and profits. Distributable reserves and profits are disclosed in the statement of Shareholder's equity. The Board can recommend the payment of dividends to the shareholders either annually or more frequently (interim dividends). The distribution must be approved by the CBO prior to distribution.

There are many factors that drive the decision to pay cash dividends. Such factors include current and future potential earnings, stability of such earnings, future growth prospects, the capital adequacy position of the Bank, etc. Considering all these factors, the intent of the Board is to pay stable and sustainable dividends in due course and in line with statutory requirements and regulatory approvals.

The Bank may opt to distribute bonus shares / stock dividend. The objective of such action would be to increase the paid-up capital of the Bank, and to convert the retained earnings into paid up capital. Such

bonus shares may be issued at par or at a premium. All premiums will be booked as share premium and will be disclosed separately in the financial statements.

The recommendation on dividend distributions will be made by the Board, after due consideration of the regulatory guidelines and growth expectations and other factors mentioned above. All dividends are subject to CBO and shareholder approvals.

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

Dividend paid in the Year	Cash Dividend as % to paid-up capital	Stock Dividend as % to paid-up capital
2014	14.00%	11.00%
2015	5.00%	15.00%
2016	15.00%	10.00%
2017	13.50%	7.50%
2018	12.00%	8.00%

CHAPTER 9 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank conducts certain transactions with its Directors, shareholders and companies over which they are able to exert significant influence. The aggregate amounts of balances with such related parties are as follows:

(in RO '000)

	As on 30 September 2018	2017	2016	2015
Loans and advances and financing				
Directors and shareholders holding 10% or more interest in the Bank	33,737	36,588	52,880	34,559
Other related parties	24,764	18,345	11,667	11,943
	58,501	**54,933**	**64,547**	**46,502**
Subordinated loans				
Directors and shareholders holding 10% or more interest in the Bank	23,663	36,663	21,663	48,663
Other related parties	19,775	31,775	17,775	40,775
	43,438	**68,438**	**39,438**	**89,438**
Deposits and other accounts				
Directors and shareholders holding 10% or more interest in the Bank	203,232	176,576	264,633	257,649
Other related parties	188,442	129,123	139,414	82,517
	391,674	**305,699**	**404,047**	**340,166**
Contingent liabilities and commitments				
Directors and shareholders holding 10% or more interest in the Bank	256	308	793	142
Other related parties	6,698	2,767	2,210	1,618
	6,954	**3,075**	**3,003**	**1,760**
Remuneration paid to Directors				
Chairman				
– remuneration proposed	15	15	16	16
– sitting fees paid	10	10	10	10
Other Directors				
– remuneration proposed	107	107	107	103
– sitting fees paid	55	68	67	71
	187	**200**	**200**	**200**
Other transactions				
Rental payment to related parties	356	480	471	468
Other transactions	66	80	84	79
Remuneration and fees proposed to Sharia' Board of Islamic Banking Window	40	46	43	32
Key management compensation				
– salaries and other benefits	-	1,534	1,371	1,235

CHAPTER 10 – CREDIT RATING OF ISSUER

Bank Dhofar is rated by "Moody's Investors Service" & "Fitch Ratings" whereby its scope of rating includes a) Issuer/Bank Rating of the long-term debt, long term deposits, long term deposits-foreign currency and b) issue rating of Senior Unsecured MTN foreign currency.

Issuer Rating
The Issuer has been assigned the following long-term rating:

	Date of the report	Long Term	Financial Outlook
FITCH Ratings	23 May 2018	BB+	Negative
Moody's	29 March 2018	Baa3	Negative

FITCH RATINGS – DEFINITIONS

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

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

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

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

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

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

CCC: Substantial credit risk
Default is a real possibility.

CC: Very high levels of credit risk
Default of some kind appears probable.

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

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

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

MOODY'S RATINGS – DEFINITIONS

Global Long-Term Rating Scale

Aaaa
Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa
Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A
Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.

Baa
Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Ba
Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

B
Obligations rated B are considered speculative and are subject to high credit risk.

Caa
Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.

Ca
Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal interest.

C
Obligations rated C are the lowest rated and are typically in default, with little prospect of recovery of principal or interest.

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

CHAPTER 11 - RISK FACTORS AND MITIGANTS

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

The following risk factors are not comprehensive or exhaustive, as additional risks and uncertainties not presently known or that the Bank currently believes to be of minimal significance may also have an impact on the Bank and its proposed operations. Unless otherwise stated in the relevant risk factors set out below, the Bank is not in a position to specify or quantify the financial or other risks mentioned herein. If any of these uncertainties develop into an actual event, the Bank's proposed operations and actual results could differ materially.

Applicants should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Prospectus and their individual circumstances before the investment decision is made. Applicants are advised to make, and will be deemed by the Bank to have made, their own investigations in relation to such factors before making any investment decision. Whilst mitigants have been set out below, these are illustrative only and not to be viewed as fully addressing the issues highlighted by these risk factors nor the Bank representing the viability or adequacy of the mitigants.

11.1 Risk factors specific to the Bank

11.1.1 **Business risk:** The banking business is subject to various risks that may have a significant impact on the performance of the Bank. Any unexpected or sustained adverse developments in these areas could adversely impact the performance and stability of the Bank.
Mitigant: The Bank already has in place appropriate risk management policies and procedures to address these issues so that these do not have a material adverse impact on the Bank's long term prospects. These policies and procedures are subject to examination by the Bank's internal auditors, compliance officials, external auditors and regulators and are reviewed and updated at regular intervals.

11.1.2 **Legal risks:** Legal risk is the risk of losses occurring due to legal or regulatory action that invalidates or otherwise precludes performance by the Bank or any of its counterparties under the terms of its contractual agreements.
Mitigant: The Bank controls legal risk through the use of its standard form of terms and conditions relating to products and loans and by obtaining appropriate legal advice as and when required in relation to more bespoke arrangements.

11.1.3 **Liquidity risks**: Liquidity risk is the risk that the Bank will be unable to meet its funding requirements. Liquidity risks could arise from the inability of the Bank to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on the Bank's ability to meet its obligations when they fall due. In addition, uncertainty or volatility in the capital and credit markets may limit the Bank's ability to refinance maturing liabilities with long-term funding or increase the cost of such funding.
Mitigant: The Bank has adopted a contingency funding plan, to address any extreme adverse liquidity crisis. The Bank has also established its own network with other banks, both locally and internationally, to draw support in times of need to mitigate this risk. Furthermore, the Bank maintains liquid assets at prudent levels to ensure that cash can be made available quickly to honour its obligations, even under adverse conditions. The Bank's management has also established liquidity monitoring procedures and is diversifying the Bank's funding sources in terms of origin, instruments and tenor. In addition, the Bank maintains a statutory deposit with CBO and has a range of credit lines from banks and financial institutions to mitigate any liquidity risks.

11.1.4 **Human resources:** There could be intense competition for human resources with conventional and Islamic banking experience. Active plans by other banks to launch new conventional and Islamic products as well as potential new entrants will increase the demand for professionals with banking experience. The Bank will depend heavily on its ability to identify, hire, train, motivate and retain qualified banking personnel with conventional and Islamic finance experience. There are no assurances that the Bank will be able to attract or retain the qualified personnel that it requires in the future. Further, the Bank has to meet the specified Omanisation levels across various categories of staff. If the Bank is unable to attract and retain the necessary banking personnel and, in particular, the required strength of Omani personnel, its future growth and profitability may be affected. If the Bank has to pay a higher level of remuneration to attract and retain professionals, it might affect the level of operating expenses and profitability to a certain degree.

Mitigant: The Bank has in place an effective performance measurement and incentive scheme and training and skill development programmes to ensure that staff remain motivated and perform at peak potential to achieve the strategic goals of the Bank.

11.1.5 **Minimum capital requirement, capital adequacy and risk management:** The minimum capital requirement stipulated by the CBO for commercial banks in Oman currently stands at RO 100 million and may be increased by the CBO from time to time. Further, the Bank is subject to capital adequacy requirements imposed by the CBO, which provide for a minimum ratio of total capital to risk weighted assets, expressed as a percentage. The CBO requires all banks to maintain a minimum CAR relative to the total of their risk weighted assets. The Bank's failure to maintain its minimum capital and CARs may result in administrative actions or sanctions against it by the CBO which may have a detrimental effect on the Bank's business. A failure to comply with internal policies and regulatory requirements relating to risk management could also have a material adverse effect on the Bank's operations.

Mitigant: The Bank has appropriate capital planning process and governance in place. Further, the Bank has demonstrated successfully in the past, that it is able to raise the necessary amounts of capital that it needs to support the growth of the Bank in a compliant manner.

11.1.6 **Competitive environment:** The competitive environment for banking services are expected to become intense as an increasing number of commercial banks and other institutions are planning to offer various conventional and Islamic financial products and services in Oman. Many of the existing commercial banks have commenced offering Islamic banking services through separate windows of their bank, in line with CBO regulations. There can be no assurances that the Bank will be able to compete effectively with current or future competitors or new entrants or that the competitive pressures faced by the Bank will not have a material adverse effect on its business, financial condition and operating results.

Mitigant: The Bank has studied the market and expected competition and has designed, and will continue to do so, appropriate products and services to meet the needs of the market in what the Board believes is the best possible manner. The Bank has an established track record of entering a new banking field and quickly establishing itself as a significant player in a short time as it can be observed from the Bank's Islamic Banking initiative.

11.1.7 **Operational risks:** Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorizations, failure of internal systems, equipment and the occurrence of natural disasters. Although the Bank has implemented risk controls and loss mitigation strategies and substantial resources have been devoted to developing efficient procedures, it is not possible to eliminate in their entirety any of these or any other operational risks.

Mitigant: Detailed operational manuals, internal control mechanics, periodic reviews and audits are tools employed by the Bank to assess, monitor and manage the operational risk in its business. Moreover, the Bank has in place appropriate risk management policies and procedures to address these issues so that these do not have a material adverse impact on the Bank's operations should the risks materialize.

11.1.8 Merger risk: As explained in Chapter 3, the Bank is exploring the possibility of a merger with National Bank of Oman SAOG. The parties are at a preliminary stage of discussions and are yet to explore the optimal structure for the merger. The merger shall be subject to agreeing commercial terms, satisfactory due diligence and obtaining all necessary corporate approvals (including shareholders' approval) and regulatory approvals. Under the CCL a merger can be implemented by way of incorporation (in which one party ceases to exist and merges into another) or merger by consolidation (in which both parties cease to exist and combine to form a new entity). The optimal structure for the merger and its consequent impact on the Bondholders would depend on the advice provided by external legal, financial and tax consultants and there may be a possibility that the Bank no longer exists as a legal entity and in such a scenario the Bank will make prior contact with the Bondholders for their consent. The Bank shall keep investors and other stakeholders informed of the key decisions on the merger through statutory disclosure channels.

Mitigant: Irrespective of the outcome of the merger, the Board of Directors and management of the Bank will strive to implement the business and growth plans of the Bank.

11.2 Risk factors relating to the market in which the Bank operates

11.2.1 Macroeconomic environment: The performance of the Bank is closely linked to and is primarily driven by the macroeconomic conditions present both globally and within Oman and the GCC. Further, the outlook and actual performance of the Omani economy, which is largely driven by oil prices, will have a substantial impact on the performance of the Bank.

Mitigant: The Bank has an experienced management team that has collectively faced the challenges after the global financial crisis of 2009. Further, these risks will be faced by the banking sector and any adverse developments are expected to impact the whole industry.

11.2.2 Default by the Bank's clients and counterparties: Country, regional and political risks are components of credit risk, as well as market risk. Economic or political pressures in Oman and throughout the region, including those arising from local market disruptions or currency crisis, may adversely affect the ability of clients or counterparties located in that country or region to obtain foreign exchange or credit and, therefore, to perform their obligations to the Bank. This could have a material adverse effect on the Bank's future business and results of operations.

Mitigant: The Bank has in place appropriate risk management policies and procedures to address these issues. These policies and procedures are also applied to the Islamic window operations of the Bank. The Bank controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties, diversification of lending activities and compliance with internal limits to avoid undue concentrations of risk with individuals or groups of customers in specific locations or businesses, and by obtaining suitable collateral when appropriate.

11.2.3 Foreign exchange risk: As a financial intermediary, the Bank is exposed to foreign exchange rate risk.

Mitigant: 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 and the Bank's internal policies.

11.2.4 A downgrade in Bank's credit rating: 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 Long-term Deposit Rating of Baa3 (Negative Outlook) from Moody's Investor Service and Long Term Issuer Default Rating of BB+ (Negative Outlook) from Fitch Ratings. A downgrade of the Bank's credit ratings, or being placed on a negative ratings watch, may increase its cost of borrowing and have a material adverse effect on its business, results of operations and financial condition. A downgrade of the

Bank's credit ratings (or announcement of a negative ratings watch) may limit its ability to raise capital and may also affect the market value of the Bonds.

Mitigant: The Bank has an experienced management team which manages its business and financials effectively . The team monitors all critical parameters on regular basis and takes immediate actions are taken immediately to address any adverse trends. However, any impact on the Bank's rating due to macro-economic factors is beyond its control. The last downgrade in the Bank's rating was due to macro-economic factors.

11.3 Risk factors relating to the Bonds

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

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

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

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 CBO has not notified the Bank in writing that the relevant Non-Viability Event has been cured as a result of such loss absorption;

(2) simultaneously with the write-down of any of the Bank's other obligations in respect of Tier 1 Capital and other instruments related to the Bank's other obligations constituting Additional Tier 1 Capital; and

(3) prior to the write-down of any of the Bank's other obligations in respect of Tier 2 capital and other instruments related to the Bank's other obligations constituting Tier 2 capital,

provided that, in the case of (2) and (3) above, this will only apply to the extent such other instruments have contractual provisions for such analogous write-down at the point of non-viability or are subject to a statutory framework that provides for such analogous write-down at the point of non-viability or are subject to a statutory framework that provides for such analogous write-down. However, the Bank may at any time depart from this policy at its sole discretion, subject to necessary regulatory approvals.

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

Prospective investors should note that the payment obligations of the Bank under the Conditions (the "Obligations") are subordinated to the Senior Obligations, rank pari passu with the Pari Passu Obligations and rank in priority only to all Junior Obligations (as defined in the Conditions). Accordingly, the payment obligations of the Bank under the Conditions rank junior to all depositors, general creditors, holders of the subordinated debt/ bonds/ sukuk of the Bank, all unsubordinated payment obligations of the Bank in respect of their due claims and all subordinated payment obligations of the Bank, to which such payment obligations rank, or are expressed to rank, junior. Further, the payment obligations of the Bank under the Conditions

(which include obligations relating to the repayment of principal amounts and/or the payment of interest amounts) are neither secured nor guaranteed by any entity and are not subject to any other arrangement that legally or economically enhances the seniority of the claims of Bondholders vis-à-vis depositors, general creditors, holders of subordinated debt or bonds or sukuk of the Bank and all subordinated payment obligations of the Bank, to which such payment obligations rank, or are expressed to rank, junior.

If the Bank were wound up, liquidated or dissolved (other than pursuant to a proposed merger under Article 14 of the CCL), 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 Bondholders 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 Bondholders in full.

No Interest Payment Amounts are payable if either a Non-Payment Event or a Non- Payment Election (as defined in the Conditions) occurs. Pursuant to Condition 6.5.2 (Non-Payment Election), in the event of a Non-Payment Election, the Bank may not make payment of an Interest Payment Amount to Bondholders on the corresponding Interest Payment Date.

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

11.3.3 Redemption Risk

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

11.3.4 Risk of Variations

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. The Conditions also provide that the Bank may vary, without the consent of Bondholders, vary the terms of any Bonds, in the circumstances specified in Condition 6.8.1 (Redemption and Variation) so that they remain or as appropriate become Qualifying Tier 1 instruments as provided in Condition 6.8.1 (Redemption and Variation).

11.3.5 No Trading History

The Bank is issuing Perpetual Subordinated Bonds (AT1 Capital Instrument) for its first time in Oman and there is limited trading history available for this category of instrument on the MSM. There may not be an active market in the Bonds after their listing on the MSM. Therefore, investors face liquidity risk as well as price risk on account of the poor liquidity having an adverse effect on the market price of the bonds regardless of the actual operating performance of the Bank.

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

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

CHAPTER 12 - CORPORATE GOVERNANCE, ORGANIZATION & MANAGEMENT OF THE COMPANY

12.1 CORPORATE GOVERNANCE STRUCTURE & PHILOSOPHY

- Corporate governance is an essential element in attaining, enhancing and retaining confidence of the Bank's stakeholders. Corporate governance lays down the relationship and responsibilities between shareholders, board of directors and senior management of the Bank through the structure of setting objectives, formulating strategies, controlling and monitoring performance while ensuring compliance with regulations in letter and spirit and promoting a culture of transparency through disclosures and commitment to highest ethical standards.

- The Board bears the principal responsibility of designing the corporate governance policy as appropriate to the Bank within the broad framework enunciated by the CBO and the CMA.

- Decision making within the Bank has been broadly divided into two levels. The Board at the apex level, as trustees of the Shareholders, bear the responsibility of strategic supervision of the Bank, apart from fulfilling statutory obligations. Some of the major responsibilities of the Board are discharged through five sub-committees, viz. the Board Executive Committee, Board Audit Committee, Board Risk Management Committee, Board Merger Committee and Board Nomination & Remuneration Committee. These sub-committees which operate under Board approved charters have been meeting regularly and have contributed significantly to the effective functioning of the code of corporate governance regime in Oman. The charters of these committees meet with the requirements as laid down in the Code. In addition, the Board carries the responsibility of approving the strategic plans and internal policies to institute adequate controls for achievement of the set objectives and compliance with rules and regulations. The executive management of the Bank comprises the senior managers headed by the Chief Executive Officer.

- Through this two-tiered interlinked governance process, a wholesome balance has been created between the need for focus and executive freedom, and the need for supervision, control and checks and balances of all activities and transactions.

- The formal Code prescribes the highest ethical standards in the conduct of the Bank's business. The senior members of the Bank are fully cognizant of their responsibilities in setting personal examples so that the Code is internalized within the Bank and becomes part of its culture.

12.2 THE BOARD

12.2.1 Board of Directors

The Board has the full authority to perform all acts required for supervising the Bank and protecting and growing the Shareholders' interests pursuant to its objectives in addition to overseeing the interests of other Bank stakeholders. Such authority is not limited or restricted except as provided by the law, the Code, the Articles of Association or resolutions of the General Meetings. However, such authority is not extended to the operational matters and day-to-day affairs of the Bank which remains the responsibility of senior executive management.

The responsibilities and functions of the Board include the following:

- charting the overall strategic direction of the Bank and reviewing and approving the annual business and strategic plans;
- monitoring the Bank's performance and evaluating whether the business is properly managed in accordance with the Bank's set plans;
- approving the interim and annual financial statements and providing accurate information at the right time to the shareholders, in accordance with the guidelines of the Capital Market Authority;

- forming various Board sub-committees, approving their charters and reviewing the functions of these committees;
- adopting internal regulations and bylaws pertinent to steering and management of the affairs of the bank;
- reviewing all audit reports submitted by internal and external auditors and statutory agencies;
- ensuring that Bank conducts its operations in an ethical and transparent manner;
- assessing and approving the proper delegation of authorities to executive management;
- appointing and evaluating the functions and the performance of the Chief Executive Officer and other key employees.

Further, the Board exercises independent objective judgement on corporate affairs after having access to accurate, relevant and timely information.

(i) It is the responsibility of the Board to approve and monitor a risk management framework that reflects best practices and implements the risk management strategies approved by the Board, across all business activities and operations.

(ii) Whilst the Board depends on the management's expertise to run a licensed bank's daily operations, it remains ultimately responsible for the monitoring. The Board is expected to exercise utmost caution to ensure that, while bearing of ultimate responsibility for monitoring operations, it does not overstep into the jurisdiction of the management (constricting their freedom of operation).

The Board shall not perform the following acts unless expressly authorized to do so by the Articles of Association or by a resolution of the General Meeting:

a. Make donations, except business donations wherever they are small and customary amounts.
b. Sell all or a substantial part of the Bank's assets.
c. Pledge or mortgage the assets of the Bank, except to secure debts of the Bank incurred in the ordinary course of the Bank's business.
d. Guarantee debts of third parties, except guarantees made in the ordinary course of business for the sake of achieving of the Bank's objectives.

The Bank shall be bound by all acts performed by its Board of Directors, its chairman, chief executive officer and all other executives (if any) as long as they act in the name of the Bank and within the scope of their powers.

12.2.2 Board of Directors' Profiles

H.E. Eng. Abdul Hafidh Salim Rajab Al Aujaili - Chairman
H.E. Eng. Abdul Hafidh Salim Rajab Al Aujaili is currently the Chairman of BankDhofar. He is the Chairman of the Board Executive Committee. He is a promoter shareholder of well-established institutions in Oman such as BankDhofar, Dhofar International Development & Investment Holding Co. SAOG, Dhofar Power Company SAOC and Oman Aviation Services Co. SAOC. He holds Master Degree in Mechanical Engineering.

Sheikh Hamoud bin Mustahail Al Mashani – Vice Chairman
Sheikh Hamoud bin Mustahail Al Mashani is the Vice Chairman of the Board of Directors. He is also a member of the Board Executive Committee. He is currently holding senior positions in various corporations in Oman and has undertaken leading roles. Other positions held by him include Chief Executive Officer of Muscat Overseas Group, Manager - Qais Omani Establishment and Chairman of Dhofar Cattle Feed Co. SAOG. Sheikh Hamoud holds a Diploma in Finance.

Mr. Ahmed bin Said Al Mahrezi- Director

Mr. Ahmed Said Al Mahrezi is a member of the Board of Directors. He is also the Chairman of the Board Nomination & Remuneration Committee, Chairman of Board Merger Committee, a member of the Board Risk Management Committee and a member of the Board Audit Committee. He has extensive experience in the public sector in Law, Finance, Investment & Administration, extending over a period of more than 25 years. Mr. Ahmed holds a Master of International Commercial Law and a Bachelor of Law.

Mr. Mohammed bin Yousuf Al Ibrahim - Director

Mr. Mohammed bin Yousuf Al Ibrahim is a member of the Board of Directors. He is also a member of the Board Executive Committee, a member of the Board Risk Management Committee and a member of the Board Nomination & Remuneration Committee. He has extensive experience in Directorship of private and public companies. His diverse portfolio includes being Shareholder, Executive & Managing Director of various private companies & Establishments. He is a Director of Dhofar University SAOC. Mr. Mohammed holds a Bachelor of Business Administration.

Mr. Tariq Abdul Hafidh Al Aujaili- Director

Mr. Tariq Abdul Hafidh Al Aujaili is a member of the Board of Directors. He is also the Chairman of the Board Risk Management Committee and a member of the Board Merger Committee and Board Nomination & Remuneration Committee. He has extensive experience of public companies' directorship. Other positions held by him include Chairman of Financial Services Co. SAOG, Vice Chairman of Dhofar Int. Development & Investment Holding Co. SAOG. Mr. Tariq holds a Bachelor of Accountancy & Finance.

Eng. Abdul Sattar bin Mohammed Al Murshidi - Director

Eng. Abdul Sattar bin Mohammed Al Murshidi is a member of the Board of Directors. He is a member of the Board Executive Committee. He has had a successful career with Petroleum Development Oman over the past 25 years in the fields of Well Drilling, Corporate Appraisal & Management Information, Corporate Technology Management and Business Support Management. Eng. Abdul Sattar holds a Bachelor of Civil Engineering.

Mr. Zakariya Mubarak Al Zadjali - Director

Mr. Zakariya Mubarak Al Zadjali is a member of the Board of Directors. He is a member of the Board Audit Committee. He has over 25 years' experience in financial management, sourcing logistics, supply chain management and vendor development. Presently he holds the position of Budget Controller at the Ministry of Defence. Mr. Zakariya holds a Bachelor of Science in Military Sciences.

Mr. Hamdan Abdul Al Hafidh Farsi - Director

Mr. Hamdan Abdul Al Hafidh Farsi is a member of the Board of Directors. He is also the Chairman of the Board Audit Committee. He currently holds the position of Director of Risk Management at the Public Authority for Social Insurance. He has a wealth of experience extending for 20 years in Finance, Internal Audit and Risk Management. Mr. Hamdan Al Farsi holds a bachelor and a Master degree in Accountancy.

Mr. Faisal Mohamed Moosa Al Yousef - Director

Mr. Faisal Mohamed Moosa Al Yousef is a member of the Board of Directors and a member of the Board Executive Committee and Board Merger Committee. He is the Chief Operating Officer of Al Yousef Group. He is the Chairman of Muscat Finance and a member of the board of Dhofar International Development & Investment Holding Co. SAOG. Mr. Mr. Faisal holds a bachelor of Economics and is a fellow of Chartered Certified Accountant, U.K.

12.2.3 Rules and Conditions for Election of Directors

The members of the Board are elected by the Shareholders from amongst Shareholders and non-Shareholders provided that the nominee (if a Shareholder), shall not hold less than 50,000 Shares. Election is through a secret ballot of Shareholders. Each Shareholder has a number of votes equivalent to the number of Shares he owns and has the right to utilize all his votes for one candidate or divide them amongst the candidates of his choice, provided the total number of votes is equal to the number of Shares he owns.

Appointments to the Board that do not follow the procedures on the appointment of the Board set out in the Articles will be null and void from the date of election and the Board of Directors will call a General Meeting to elect another member within a maximum period of one month from the date of annulment. In such circumstances, the Bank shall have the right to demand compensation for the losses from the member and anyone who facilitated his/her appointment.

The duration of the Board membership is 3 (three) years. Re-election is permitted for a similar period which will begin from the date of the General Meeting at which the member was elected and shall end on the date of the third annual General Meeting following the General Meeting at which the member was elected. If the date of this General Meeting exceeds a period of three years, membership of the Board will be extended by law until the date of the General Meeting (but it must not exceed the period specified in the Article 120 of the CCL for the holding of the annual General Meeting).

The restrictions stipulated by Article 95 of the CCL have been observed in relation to the election of the Board.

In addition:

- All the directors of the Board are of good standing and sound reputation.
- All the directors of the Board are at least 25 years of age.
- None of the directors are unable to settle their indebtedness to the Bank.
- None of the directors of the Board have been declared insolvent or bankrupt.
- None of the directors of the Board have been convicted of a felony or dishonorable crime.
- None of the directors of the Board are members or representatives of a juristic person in more than four public joint stock companies based in the Sultanate.
- None of the directors of the Board are employees or members of the board of directors of a public or closed joint stock bank which is based in the Sultanate and which is carrying out similar objectives to that of the Bank;
- Each of the directors has presented an acknowledgement that contains a statement of the number of his Shares he owns if he is a Shareholder and that he will not dispose of them to the extent that he shall be deprived of his status as a Shareholder in the Bank, throughout the term of his office.
- All of the Board members are non-executive directors. A non-executive director means "a member of the board who is not exclusively engaged in directing the Bank (i.e. he/she is not an employee), or who does not draw a monthly or an annual salary from the Bank".
- A minimum of one third of the Board (subject to a minimum of two) are independent directors.
- A juristic person is not represented by more than one director on the Board.
- The roles of chief executive officer/general manager and chairman are not combined.

In addition to the above, the CBO regulations on the composition of the Board must be complied with as follows:

CBO Regulation "BM/REG/46/2/99" titled Appointment of directors of licensed banks, deals with the appointment of directors of Omani licensed banks. Article 2 sets out a procedure which the CBO requires licensed banks to observe when appointing directors and includes providing nominees with certain prerequisites which are to be applied in determining whether a proposed director is "fit and proper."

The Bank must forward the list of selected persons to the CBO for their approval along with an undertaking from the nominee confirming that he/she has not in the last ten years:

- committed an offence involving fraud or other dishonesty or violence;
- acted in contravention of any statute of Oman or abroad or provisions thereof established for the purpose of protecting members of the public from financial loss due to dishonesty, incompetence or malpractice;
- been involved in any deceptive or oppressive practices (whether lawful or not) which would cast doubt on his integrity and in the business; and

- been involved, or associated with, any other business practices or otherwise conducted himself in a manner which would cast doubt on his competence and soundness of judgement.

The CBO then determines whether the nominee meets the "fit and proper" criteria and whether the nominee is suitable to hold the position as a director:

The criteria adopted by the CBO when determining whether a nominee for a director of an Omani licensed bank is "fit and proper" is based on his "uprightness, repute, credibility, experience, ability, quality of judgment, due diligence with which he discharges his responsibilities and whether his holding such a position would in any way threaten or prejudice the relationship of the institution with its creditors, investor, depositors, etc."

The CBO shall also look into his previous conduct and activities in business or financial matters in particular.

The CBO may also take into account other positions held by such a person in his career, his financial solvency as well as his qualifications, experience, expertise in the area of business.

The licensed bank shall notify the CBO of any decision taken to appoint the chairman and members of the board of directors as well as the executive officers, general managers and their deputies within 30 days from the date of issuance of the decision appointing them (Article 77 (B) of the Banking Law). The CBO shall have the right to object to the appointment of any of the above-mentioned persons if it believes that such appointment "might undermine the management of the bank or the interests of the depositors."

CBO Regulation "BM/REG/42/11/97" (Article 4) further provides for members of the board of directors of Omani licensed banks to comply with the following:

- While assuming the membership of the board of directors, an undertaking is required to be signed which confirms that the appointee director has:
  - read and understood all the laws and regulations of Oman pertaining to the commercial companies and banks; and
  - ensured compliance with those laws and regulations.

- While vacating the office of a director, a declaration is required to be signed by the member of the board which contains the following:
  - a statement that the operations of the bank have been conducted satisfactorily without any intentional errors and/or lapses; and
  - specified operations which in his opinion were detrimental to the bank's interests and reputation.

Article 80 (B) of the Banking Law provides that a director, officer, manager or staff member of an Omani licensed bank may not serve any position in another Omani licensed bank or agree to become a director of a commercial company or participate in the management of another banking or financial institution if such office or participation is incompatible with the responsibilities assigned to that person under the Banking Law or by the licensed bank or is unless expressly permitted by the CBO.

12.3 BRIEF PROFILE OF SENIOR MANAGEMENT

Abdul Hakeem Al Ojaili, Chief Executive Officer
Mr. Al Ojaili is a veteran banker with over 25 years of progressive banking experience. He assumed the leadership of BankDhofar in 2013 with a proven track record of vast experience in Corporate & Retail Banking, Operations Management, Technology and Corporate Support Services - all gained while navigating through the organisation from its embryonic inception in 1990, contributing to the development of BankDhofar to become one of the leading banks in Oman.

Prior to his current role, Mr. Al Ojaili was the General Manager of Corporate Services where he led the restructuring and transformation of the bank's entire support functions including Operations, Technology, Support Services and Human Resources. Before that he headed the Retail Banking and Marketing Division, during which the bank had achieved strong growth, performance and network expansion.

Mr. Al Ojaili started his career in wholesale banking for a number of years where he managed a diverse corporate portfolio in businesses and industries. Gaining exposure in the international banking environment, he was also cross posted on a number of assignments with JP Morgan and Lloyds TSB.

Mr. Al Ojaili holds an MBA in Banking Management from Exeter University in the UK and is also an alumnus of both Harvard and London Business Schools Executive Education Programs.

Kamal Hassan Al Murazza, General Manager & Chief Wholesale Banking Officer
Mr. Al Murazza is an experienced banker who served HSBC Muscat, and Bank Sohar. He is currently the General Manager and Chief Wholesale Banking Officer in Bank Dhofar.

Mr. Al Murazza is also the chairman of the Disciplinary committee and is a member of the Bank's Asset and Liability Management Committee, the Information Technology Committee, the management HR committee and sits as Deputy Chairman of the Management Credit Committee, Deputy Chairman of the Management Risk Committee.

Mr. Al Murazza has more than 18 years of experience in corporate banking, relationship management, sales and marketing, risk management, and business strategies.

Mr. Al Murazza attended Harvard Advanced Management program USA; and holds a Bachelor's degree from Saint Louis University, Missouri State, USA. Kamal attended several specialized banking programs locally and internationally.

Ahmed Said Al Ibrahim, General Manager & Chief Support Services Officer
Mr. Al Ibrahim joined the Bank in 1996 and is the General Manager and Chief Support Services Officer. He sits on the Bank's Asset and Liability Management Committee, Executive Committee and Investment Management Committee and is also the Chairman of the Purchase Committee. Mr. Al Ibrahim has more than 24 years of experience, which includes management, sales and marketing, government banking, quality assurance, investment banking and private banking with organizations such as the Bank as well as the Ministry of Information. He was promoted to his current position of General Manager & Chief Support Services Officer in February 2017.

Mr. Al Ibrahim hold a Bachelor's degree in Mass Communication from Sultan Qaboos University and a MBA from University of Hull. He has completed an Executive Leadership Programme at the London Business School, as well as various other programmes related to management, business and banking.

Faisal Hamad Al Wahaibi, General Manager & Chief Retail Banking Officer
Mr. Al Wahaibi is the Chief Retail Banking Officer. He joined the Bank in 2009 as Assistant General Manager of the Retail Banking Division. Mr. Al Wahaibi is a member of the Bank's Asset and Liability Management Committee, Executive Committee, Management Credit Committee, Management Risk Committee, Purchase Committee, SMIT Committee, ERP Committee and BCM Committee. He was promoted to his current position as General Manager & Chief Retail Banking Officer in February 2017.

Mr. Al Wahaibi has more than 25 years of experience in strategic planning, relationship management, customer experience, budgeting, planning, funding, regulatory affairs, outsourcing and restructuring, cost control and reduction, sales, marketing, distribution, staff development, customer retention strategies, telecommunications, operations, retail and accounts with organisations such as Bank Muscat, MENA Business Services Dubai and Omantel.

Mr. Al Wahaibi is an Alumni of Harvard Business School, Boston, having completed Advanced Management Program. He holds a Bachelor's degree in Marketing from the University of Missouri St. Louis-Missouri, USA.

Shankar Sharma, Deputy General Manager & Chief Financial Officer
Mr. Sharma joined the Bank in 2012 and in his role as the Chief Financial Officer, reports to the Chief Executive Officer. Mr. Sharma is responsible for all financial affairs, and for providing guidance in setting strategy and planning for the Bank. He plays a key role in shaping and driving the Bank's performance culture for achieving superior and sustainable long-term financial results.

Mr. Sharma sits on various management-level committees including, the Asset and Liability Management Committee (Deputy Chair), Human Resources Management Committee (Deputy Chair), Purchase Committee (Deputy Chair), Information Technology Steering Committee (Deputy Chair), Business Continuity Management Steering Committee (Deputy Chair), Investment Management Committee and Management Risk Committee. Mr. Sharma comes with a rich experience in the financial services industry including his leadership role as Chief Executive Officer of Arab Financial Services B.S.C. (AFS), Bahrain, a regulated financial institution and regional leader in payments processing in the Middle East. Prior to his role as Chief Executive Officer of AFS, he was Chief Financial Officer of the company.

Mr. Sharma served in a senior management role for five years at the National Commercial Bank, Saudi Arabia and for four years in Canada with a leading European Bank. His wide experience includes assurance practice roles at Ernst & Young, Saudi Arabia and management consultant role at A.F. Ferguson & Co., India.

Mr. Sharma is a Certified Public Accountant (CPA) from Delaware State Board of Accountancy, USA, Chartered Accountant (ACA) from the Institute of Chartered Accountants of India, Cost and Management Accountant, Institute of Cost and Management Accountants of India and holds a MBA from University of Strathclyde, UK and a Bachelor's in Commerce degree (B.Com) from University of Madras, India.

Mr. Sharma has attended and completed several technical courses including courses on IFRS, US-GAAP, Canadian GAAP, Canadian Taxation, Basel III, anti-money laundering and risk management.

Nasser Said Al Bahantah, Deputy General Manager & Chief Human Resources Officer
Mr. Al Bahantah is a seasoned entrepreneurial business and HR professional with over 23 years of experience in the field during which he led major restructuring and transformations of HR functions in the Financial Services (Conventional & Islamic Banking), Telecommunications and Oil & Gas industries across the GCC.

Mr. Al Bahantah has a diverse experience across industries in leadership roles in leading local, regional and multinational companies, including Shell, Schlumberger, Omantel, Bank Al Jazira, National Bank of Oman and Aon Hewitt prior to joining BankDhofar.

Mr. Al Bahantah is responsible for the strategic leadership of the Human Resources functions of the Bank. he has a wealth of experience particularly in the financial services sector where he served as DGM & Chief Human Resources Officer (CHRO) of National Bank of Oman and AGM & Chief Human Resources Officer of Bank Al Jazzira, based in Jeddah, KSA.

Mr. Al Bahantah has a Bachelor's Degree in Business Administration from Yarmouk University in Jordan and Global Executive Graduate Certificate in Human Resources Leadership from Rutgers University, USA.

Osama Fathi Abdallah Al Mansour, Deputy General Manager – Head of Transformation.
Mr. Al-Mansour joined the Bank's senior management team in April 2015, to head the newly-created transformation division.

Mr. Al-Mansour has 25 years of experience in Consulting, Banking and Financial Services covering both conventional banking and Islamic banking. He has led and managed major restructuring and Enterprise

transformation program in leading financial institutions in the GCC and Levant regions. He has previously held senior roles, including Group Head Support and Transformation at Bank Al-Jazira (Saudi Arabia, Chief Operating Officer, International Banking Group, National Bank of Kuwait, (Kuwait) and Head of Transformation at Arab Bank Plc., Jordan and Jordan Kuwait Bank (Jordan).

Mr. Al-Mansour holds a Bachelor's degree in the Arts from the University of Toledo, Ohio, USA, a Master's degree in Arts and Management from the National University, Sacramento, California, USA and a Master's degree in Business Administration in Financial Management and Marketing from the National University, Sacramento, California, USA.

Jose K. Joseph, Deputy General Manager & Head of Risk Management
Mr. Jose is a banker with over 33 years of experience in the GCC, other emerging markets and New York. He has extensive hands on experience in various markets and across businesses and products - Corporate Banking, Investment Banking, Capital Markets, Consumer / Retail Banking and Private Banking.

Immediately after completing his MBA in 1982, Jose started his career with Unilever Ltd in India as a management trainee and then was appointed as the Commercial manager at their Head Office in Mumbai, India before moving to Banking in 1985.

Jose joined Citibank N.A India in 1985 as a Relationship Manager in the Corporate Bank. He was the Corporate Bank Head for South India till 1996 before taking over as the Chief Executive Officer of Citicorp Securities and Investments Ltd, India till 1998. He then moved overseas and joined Citi's International staff cadre. He worked with Citi for 28 years in India, Russia, Ukraine, Taiwan and in New York. His role covered all aspects of Corporate and Investment Banking and Risk Management in various locations. His last assignment with Citi was in New York as the Chief Credit Officer for Citibank North America and Global Risk Management Head for TMT (Technology, Media and Telecommunication).

Jose joined Mashreq Bank in Dubai, in July of 2013 and served as their Chief Risk Officer for 5 years. He joined Bank Dhofar as Chief Risk Officer in May 2018.

Mr. Duraid Taher Ali Al Jamali, Deputy General Manager & Head of Legal
Mr. Duraid is a legal professional with a wealth of experience of more than 17 years in various financial institutions. Prior to joining BankDhofar he served at Central Bank of Oman from 2001 to 2009 as Legal Counsel. He then held the position of Head of Legal & Secretary to the Board with Bank Sohar from 2009 to 2012 after which he joined Oman Investment Fund (OIF) and served as Head of Legal and Secretary to the Board from 2012 to 2018 before joining the Bank.

Duraid holds a Bachelors of Art degree in Criminal justice from Saint Louis University, Missouri and a Law degree from BPP University, Leeds, UK. He also holds a Master of Law (L.L.M) qualification from University of Newcastle Upon Tyne, UK.

Bashir Al Subhi, Assistant General Manager (Treasury & Financial Institutions)
Mr. Al Subhi joined the Bank in 2007 as Assistant General Manager of the Treasury & Financial Institutions Division. He has vast experience of more than 25 years in Treasury and Investment services. Mr. Al Subhi oversees all the strategic aspects of the Treasury and Financial Institutions Division at the Bank and initiates new development plans to achieve quality business growth for the Bank. He is also responsible for managing international and local investment portfolio of the Bank. He is an active member of the Asset and Liability Management Committee, Management Credit Committee, Management Risk Committee, and Executive Committee. Mr. Al Subhi is also Vice Chairman of the Bank's Investment Committee and secretary to the Board Investment Committee.

Prior to joining the Bank, Mr. Al Subhi worked with Oman International Bank (prior to its merger with HSBC Oman) as Chief Manager of Treasury and Investment Department supervising the Bank's overall Treasury and liquidity activities.

Mr. Al Subhi holds a Master's degree in Science in Financial Services as well as a Post Graduate Diploma in Risk Management from Glasgow University, United Kingdom. He is a Certified Finance and Treasury Professional, Australia (CFTP). He is an Omani Representative for the Arab Cambiste Association (ICA) and Khaleej Financial Markets Association. He has attended the Oxford Strategic Leadership Programme, Leadership Development Programme, University of Virginia USA, and the London School of Treasury Management Programme, United Kingdom and various other training programmes worldwide at globally recognized institutions.

Shaleen Chugh, Deputy General Manager - Corporate Banking
Mr. Chugh is an experienced corporate banker and served the Bank from 1997 till 2007 in various positions prior to moving to Qatar National Bank, Muscat as Head of Corporate Banking in Nov 2007. He re-joined the Bank in September 2013. Mr. Chugh is part of the Bank's Asset and Liability Management Committee, Executive Committee, Management Credit Committee and Investment Management Committee.

He has more than 32 years of experience in corporate banking, project finance, syndications, trade finance, relationship management, sales and marketing, risk management, and business strategies with organisations such as Rallis India (Tata Group), ANZ Grindlays and Qatar National Bank.

Mr. Chugh holds an MBA Degree in Finance and is a member of Institute of Cost and Management Accountants of India.

Mohammed Al Reyami, Deputy General Manager (Internal Audit)
Mr. Al Reyami joined the Internal Audit Department in 2010 and has been very active in putting his expertise in internal auditing. Since, joining he has managed to improve the audit methodology from a traditional audit approach to a risk-based audit approach. In addition, he successfully implemented an Audit Management System for automation of all audit processes and performance reporting.

Since joining, Mr. Al Reyami has been actively contributing with value added recommendations in all committees in which he participates including management meetings and audit committee meetings. Mr. Al Reyami has over 27 years of experience, of which nearly 20 years of experience in internal auditing and other services with the CBO.

Mr. Al Reyami holds a diploma in Accounting and Banking from Oman, a BSc. in Accounting Control Systems from the USA and a MSc. in Computer Auditing from the United Kingdom. He is also a certified risk based auditor (CRBA) and an International Compliance Association (ICA) Diploma in Governance, Risk and Compliance.

Sohail Niazi, Chief Executive - Maisarah Islamic Banking Services
Mr. Niazi joined the Bank in 2013 to launch the Islamic Banking window of the Bank. Prior to joining the Bank he was Acting-CEO at Elaf Bank, an Islamic wholesale bank in Bahrain.

Mr. Niazi has 20 years of financial services, banking and management consulting experience in the Middle East, Asia and USA. He has previously held executive positions at Bank of America, Morgan Stanley and KPMG Consulting.

Mr. Niazi holds an MBA from Thunderbird School of Global Management in Arizona and a Master of Science degree in Finance from the Illinois Institute of Technology in Chicago, USA.

Ismail Jama Ismail Bait Ishaq, Chief Operating Officer - Maisarah Islamic Banking Services
Mr. Ismail joined the Bank in 1994 and is currently the Chief Operating Officer of Maisarah. He has over 29 years of experience and has worked & contributed in various positions at different departments including Accounting & Finance, Retail Branches management, Credit Administration, Investment Management & currently he is Chief Operating Officer of Maisarah Islamic Banking Services. Mr. Ismail had worked in National Bank of Oman, Standard Chartered Bank and Ahli Bank before joining the Bank.

Mr. Ismail holds an MBA- Finance from Coventry University UK. In addition, he also has Global Leader Program Certificate from UK.

Hussain Ali Ibrahim Al Lawati, Assistant General Manager & Head of Business Banking
Mr. Al Lawati Joined the Bank in 2014 as Head of Corporate Marketing and Business Development and is currently holding the position of Assistant General Manager. Prior to joining the Bank, he served several reputed banks in Oman in various roles. In addition to his responsibilities, Hussain is also a member of the Credit Committee in Al Rafd Fund.

Mr. Al Lawati is an Alumni in Harvard Business School from 2017. He holds a Bachelor's degree in accounting from Mumbai University and he is a certified expert in SME Finance from Frankfort School of Finance & Management, Germany. He also holds a Diploma in Management from Institute of Leadership & Management, UK.

Mohammed Iqbal Al Balushi, Assistant General Manager – Retail Banking
Mr. Al Balushi joined the Bank in 1990, and since then has served the organisation in various divisions, such as Consumer Banking and Central Operations Division prior to his present assignment. Mr. Al Balushi sits on the Bank's Asset and Liability Management Committee, Management Credit Committee, Management Risk Committee, Management Executive Committee, Human Resource Sub-Committee, Purchase & Tendering Committee, Information Technology Committee and is the Chairman of the Business Continuity Management Steering Committee. Mr. Al Balushi has more than 26 years of experience in management and banking operations.

Mr. Al Balushi holds an MBA in General Management from the University of Wales Institute of Cardiff (UWIC), United Kingdom and also an alumnus of Darden School of Business, University of Virginia USA.

Hani Macki, Assistant General Manager (Strategy & Planning)
Mr. Macki presently is Assistant General Manager & Head of Office of Strategy Management & Strategic Business Development. He has had experience in local and international banks in Oman and abroad. He has over 20 years of management experience in retail banking, corporate banking, marketing, sales, customer service and real estate.

Mr. Macki is / has previously been a member of various executive committees in the Bank, which include the IT Committee, Staff Recognition Committee, Asset and Liability Management Committee, Management Credit Committee, Management Risk Committee and Investment Management Committee.

He holds/has held positions as a member of the board of directors of the Environment Society of Oman, Salaam Insurance, Munawala and the Fund for Development of Youth Projects.

Mr. Macki holds a BSc in Business Administration and a Certificate in International Business from Duquesne University, USA.

Dr. Tariq Taha, Assistant General Manager (Chief Information & Technology Officer)
Dr. Tariq Taha joined the Bank in 2012 in the capacity of Chief Information and Technology Officer- Managing Information Technology Division and Information Security Department. During 2018, the digital portfolio was assigned to him which includes Call Center, Card Center, alternative banking channels & Payments. Dr. Taha sits on the Bank's Management Executive Committee, the Management Risk Committee, the Business Continuity Management Steering Committee and the Information Technology Committee. Dr. Taha also chairs Oman Bankers Association Technology committee

Dr. Taha holds a PhD in Management from Abdul Malik ASaadi University in Morocco, a Master's degree in Management and a Post Graduate Diploma in Computing from University of Ballarat in Australia. As an experienced manager, he possesses significant "start-up" and international experience acquired during his career of over 18 years (including with Virgin Mobile MEA, Q-Tel, the CBO and the PDO).

Ms. Amina Nasser Mohammed Al Falahi - Assistant General Manager & Head of Government Relations
Ms. Al Falahi presently serves the bank in the capacity of Assistant General Manager & Head of Government Relations in Government Banking Department. She has a wealth of experience spanning over 38 years in Banking of which over 23 years with BankDhofar in various roles.

Ms. Al Falahi's significant contributions to the continued growth of Retail Banking. Her major achievement was setting up of Priority Banking Department at BankDhofar and successfully implemented a strategy to build-up the customer base of High Net-Worth Individuals.

Ms. Al Falahi is a member of the Bank's Asset & Liability Committee.

12.4 BOARD SUB-COMMITTEES

The Board has the following five permanent board committees, whose objectives, powers and procedures are governed by the terms of reference of the respective committees as enshrined in their charters, approved by the Board:

- Board Executive Committee
- Board Audit Committee
- Board Risk Management Committee
- Board Nomination & Remuneration Committee
- Board Merger Committee

Additional committees may be established from time to time based on business needs. Each committee has access to the information and resources it requires, including direct access to staff and consultants. The Board has selected the committee members based on their professional backgrounds, skills and other qualities they bring to the committees.

12.4.1 Roles of Board Committees

Board Executive Committee (BEC)

The BEC comprises five members of the Board of Directors and meets as and when there is a business need. Board Executive committee (BEC) entrusted to guide the Bank management on three key strategic areas:

1. Approval of credit proposals - The BEC is responsible for approving certain credit approvals and overseeing the Bank's credit policy framework. The responsibilities of the BEC include reviewing and approving specific transactions up to the Bank's permitted risk limits, in particular those which exceed the authority of the senior management

2. Strategy, Merger, Information & Transformation - The committee oversees matters pertaining to Strategy, Information Technology (IT), Transformation and Merger/s. Review major projects handled by Enterprise Project Management Office. Review IT Strategy and major decisions relating to IT. Consider matters raised in Management's Information Technology Committee meetings and update the BOD as appropriate. The committee is to review and set the direction on Bank Dhofar's potential merger/s on behalf of the Board of Directors of Bank Dhofar in compliance with CBO and CMA and MOCI and other regulators guidelines and regulations. To then conduct and finalize negotiations in relation to the potential merger on behalf of the Board of Directors of Bank Dhofar and also to oversee the steps of the merger to its final potential conclusion. Following the merger announcement with National Bank of Oman the relevant clauses relating to merger that are included in the Board Executive Committee Charter are now reflected in the Board Merger Committee Charter that relates to this particular transaction

3. Capital, Funding & Bank Proprietary Book Investments - The Committee is tasked with reviewing and setting the direction on the capital and funding requirements of the Bank to ensure compliance with the CBO and Basel guidelines. It is also responsible for reviewing and setting the direction of the non-capital long-term funding requirements of the Bank, which are typically issued and listed on international or local markets, in addition to overseeing capital requirements. The Committee also oversees the management practices on investment matters. It monitors the Bank's investments and ensures that the Bank complies with its policies and regulatory requirements

Board Audit Committee (BAC)

The BAC comprise three Board members, two of whom are independent (being the majority as required by the law). The BAC meets at least four times a year.

The BAC is responsible for drawing the focus of the Board of Directors and the senior management towards strong financial reporting and risk management practices. It monitors the Bank's compliance with all its legal and regulatory framework, from its Articles of Association to its charter, by-laws and rules as established by the Board of Directors. It also monitors the adequacy of this framework and the internal controls, and puts forward recommendations for improvement whenever required. The BAC determines and reviews the terms of engagement of external auditors, receives the auditors' reports, agrees the scope of the internal and external audit and monitors 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 of Directors recommending the proposal for formal approval by the shareholders at the annual general meeting, after seeking the necessary approval from the CBO. It reports back to the Board of Directors 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 responsible for monitoring and supervising the activities of the Bank's internal audit function, by ensuring adequate resources and information access. The BAC is also responsible for reporting to the Board of Directors the annual financial statements for approval and any matters of concern identified as a result of external or internal audits or examination by supervisory authorities.

Board Risk Management Committee (BRMC)

The BRMC comprise three members of the Board of Directors and meets at least four times a year. The main responsibilities of the BRMC include the assessment, monitoring and recommendation of strategies to control the risk profile of the Bank. It is also responsible for the development of risk policy, risk limits and risk management procedures.

The BRMC is responsible for understanding the risks undertaken by the Bank and ensuring that they are appropriately managed.

The BRMC develops risk policies, limits and procedures after assessment of the Bank's risk bearing capacity, identifies, monitors and measures the overall risk profile of the Bank and verifies models used for pricing complex products and transfer pricing. In order to review the risk models as development takes place in the markets and also identify new risks, the BRMC ensures that the risk policies clearly spell out the quantitative prudential limits on various segments of Bank's operations and builds stress scenarios to measure the impact of unusual market conditions. The BRMC also monitors variation between the actual volatility in portfolio values and those predicted by the risk measures.

The BRMC is also responsible for monitoring compliance with various risk parameters by business lines, holding line management accountable for the risks under their control and overseeing and ensuring the implementation of the CBO's guidelines on risk management.

Board Nomination & Remuneration Committee (BNRC)

The BNRC comprises of three members and was formed in March 2005. The committee amongst other things assists in the nomination of proficient directors and electing the most fit for purpose. Moreover, the committee aims to assist the Board in selecting the appropriate and necessary executives for the executive management. BNRC provides critical support and focusses on the human resources function by ensuring that the Bank's manpower plans follow its strategic and specific resource requirements to achieve specific goals. It also supports the national Omanisation scheme by reviewing the Bank's Omanisation plans to ensure that certain defined positions are secured for prospective Omani employees within a prescribed period of time.

The BNRC meets at least four times a year.

Board Merger Committee (BMC)

The BMC comprises four members with three members of the Board of Directors and one Executive Member. BMC meets as and when there is a business need. The Board Merger Committee is responsible to discuss, negotiate with National Bank of Oman and finalize the proposed merger. The Board Merger Committee will meet Bi-monthly/ Fortnightly (once every two weeks) or at shorter intervals if deemed required.

The Shari'ah Supervisory Board (SSB)

The SSB is responsible for the supervision, review and approval of the Bank's policies, products and processes to ensure their compliance with Shari'ah principles. It is responsible for the governance of the Bank's Islamic banking window, which includes providing all Shari'ah rulings relating to it, ensuring the Islamic banking window's compliance with Sharia rules and enhancing its contribution towards the development of Islamic banking in Oman. The identification of non-compliant policies, products and processes are reported in writing to the Board of Directors. The SSB is also responsible for the development of Shari'ah compliant alternative products and the approval of the annual Shari'ah audit plan. The SSB meets at least four times a year. The SSB is currently comprised of five members, one of which is elected as the chairman.

12.5 MANAGEMENT COMMITTEES

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

Management Executive Committee (EXCO)

The objective of the EXCO is to review the Bank's performance in relation to agreed strategy Annual Operational Plan (AOP). In order to meet its objective the committee may consider issues relating but not limited to capital adequacy, liquidity, lending book, profit & loss, operational matters, policies & procedures, product offering, marketing strategy, service levels, staff matters, internal control environment, compliance, competitor strategy , and IT initiatives.

The Committee meets monthly and/or as deemed required.

Management Credit Committee (MCC)

The objective of the MCC is to ensure that credit facilities, which fall within their delegation of authority, are examined and considered in-depth to arrive at judicious credit decisions.

The MCC meets on a weekly basis depending on the business needs of the Bank and at least once every two weeks.

Management Risk Committee (MRC)

The objective of the MRC is to oversee and drive the implementation of risk management framework (including MAISARAH), for credit risk and operational risk. The MRC reviews and recommends policies, practices and systems to evaluate the Bank's risk profile (other than market risk) and promote a strong risk culture within the Bank.

The MRC meets at least four times a year.

Asset and Liability Management Committee (ALCO)

The objective of ALCO is to review and monitor market risks of the bank and to manage the balance sheet with in the performance/risk parameters laid down by the Board of Directors. ALCO provides guidelines to the management for managing and deciding the business strategy of the Bank in line with Bank's policy and practices.

The ALCO meets monthly or at a shorter interval if deemed required.

Proprietary Investment Management Committee (PIMC)

The objective of PIMC is to attend to issues relating to the investment strategy and policy, approve investment proposals, make suitable investment decisions, and to analyse, monitor and manage investment risk in a structured manner.

The Committee shall meet bi-monthly (i.e. once in every two months), or at shorter interval if deemed required.

Human Resources Management Committee (HRMC)

The purpose of HRMC is to assist the CEO and BNRC in the effective discharge of its responsibilities to oversee establishment of appropriate HR policies and procedures.

The HRMC:

- reviews and recommends the annual manpower plans prior to finalisation of the Bank's annual business plan;
- monitors and seeks to improve Omanisation levels within different units of the Bank; and
- reviews and recommends promotions.

The HRMC meets on need basis.

Disciplinary Committee (DC)

The objective of the DC is to advise on appropriate disciplinary action and to recommend such disciplinary action for approval of the relevant authority within the Bank.

The DC meets based on the business needs of the Bank.

Purchase Committee (PC)

The objective of the PC is to ensure that the procurement of all goods and services is conducted in a transparent and objective manner with reliable vendors and service providers to achieve the best terms and "value for money" for the Bank. The PC ensures that a scientific and compliant approach is undertaken to manage spending.

The PC meets at least once a week.

Information Technology Committee (ITC)

The objective of the ITC is to ensure that a cohesive IT strategy is developed and maintained that is aligned to the business strategy. The ITC also provides support, guidance and oversight on significant IT-related strategic projects and investments to derive the maximum benefit on IT spending.

The ITC meets at least twice a year.

Business Continuity Management Steering Committee (BCMSC)

The BCMSC is responsible for supervising the implementation and maintenance of a sound business continuity plan for the Bank. The BCMSC ensures that plans which are formulated are implemented and tested.

12.6 COMPLIANCE WITH REGULATORY & CONTROL REQUIREMENTS

The Board is not aware of any instances of material non-compliance by the Bank of its regulatory requirements. The Bank has also complied with all provisions of the Code.

12.7 CHANNELS OF CONTACT WITH SHAREHOLDERS & INVESTORS

The financials of the Bank are available in digital form at the MSM website viz., www.msm.gov.om. The quarterly, half yearly and annual results of the Bank are published in two national dailies, one in English and one in Arabic. The financials of the Bank are also available at the website of the Bank at www.bankdhofar.com. Investors can also contact the Bank on investorrelations@bankdhofar.com.

CHAPTER 13 - RIGHTS & LIABILITIES OF TRUSTEE AND BONDHOLDERS

The following describe the responsibilities and liabilities of the Trustee and rights of Bondholders. Please note that the rights and responsibilities are subject to Chapter 6 (Terms and Conditions of Bonds) and in terms of any conflict between this Chapter and Chapter 6, Chapter 6 shall prevail.

Responsibilities of the Trustee

The following are the main responsibilities of Trustee -

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

Trustee shall monitor the Bank's performance in respect of its obligations and protect the Bondholders' interests, to the extent and as per the terms & conditions of the Issue given in this Prospectus. Some of the responsibilities are –

- Calling for periodical reports from the Bank and inspecting its books of accounts, records, registers, the Bank's assets and the documents and reports related to the credit rating of the Bank.
- Ensuring that the interest due on the Bonds has been paid to the Bondholders on each Interest Payment Date, subject to the terms of Chapter "Terms and Conditions of the Issue".
- Verifying that the Bonds are redeemed in accordance with the provisions and conditions contained in this Prospectus.
- Calling or causing to be called, the general meeting of Bondholders on any event which may affect their interests or on a requisition by one or more Bondholders who own at least 10% of the total issued Bonds.
- Ascertaining that the funds raised through the issue of the Bonds are utilized in accordance with the Prospectus.
- Carrying out such other acts as necessary for the protection of the interests of the Bondholders.
- The Trustee may seek the assistance of experts and professionals to perform its duties, without prejudice to their responsibility.

Rights of the Trustee

The Trustee shall have the following specific rights, in addition to any other rights that maybe conferred upon it by the laws of Oman:

- The Trustee shall forthwith upon any breach, regulatory failure, negligent act, or similar act or omission on the part of the Issuer, forthwith bring such matter to the attention of the Issue, by way of written letter addressed to the Chief Executive Officer of the Issuer. The Trustee and the Bank shall use their best endeavor to restore any procedural issue, breach, and/or reach a fair and reasonable settlement of such matter. Where appropriate and agreed with the Issuer, the Trustee shall be entitled to decide and rule upon matters on behalf of the Bondholders without calling a meeting of Bondholders.
- In the event that the Issuer fails to remedy any breach or action a reasonable time period after having been given due notice by the Trustee to do so, or in the event that the Issuer unilaterally commits an act which may have a material effect on the Bondholders, the Trustee shall be entitled to take such actions as it seems appropriate. Where possible and practical, depending on circumstances, the Trustee shall act upon a decision of a meeting of the Bondholders, by decision on a vote by the applicable majority. The Trustee shall also act upon an order or the guidance of duly empowered regulatory authorities in Oman.
- Where the issue to be decided upon is of a legal nature or based upon dispute of facts, the Trustee shall have the right to approach an attorney, or a court of law. The Trustee shall be entitled in all matters, unless it is proven that it acted negligently, recklessly, or not in the collective interest of the Bondholders, to be reimbursed by the Issuer within reasonable limits, for defending any legal actions arising from, or conducting any case relating to its office as Trustee, or matter of dispute as described above.
- In the event of meetings of the Bondholders taking place, it shall be convened and held in accordance with the procedure for meetings as contained in the terms and conditions of the Bonds as set out in this Prospectus (and amended from time to time).
- The Trustee shall be entitled to attend General Meetings of the Issuer and, where applicable, shall be entitled to address such meeting as and when deemed appropriate by the Chairman of such meeting.
- The Trustee shall be entitled to request certain information from the Issuer in order to perform its functions appropriately and diligently. All reasonable requests of the Trustee shall be duly considered by the Issuer, who shall manage all ongoing communication with the Trustee through the office of its internal legal department. The Issue shall not be obliged to provide information beyond what may be reasonable or deemed to be appropriate.
- The Trustee shall be paid an annual Trustee fee.

Rights of Bondholders

The Bondholders shall have the following rights:

- The right to receive the principal amount of the Bonds.
- The right to receive the interest payable on the Bonds.
- The right to sell, transfer the ownership of Bonds in accordance with applicable laws of Oman and this Prospectus.
- The right to participate in Bondholders meetings and to vote at such meetings in accordance with the provisions of the Trust Deed, the terms of the Bonds set out in Chapter 6 and the applicable laws of Oman.

CHAPTER 14 - SUBSCRIPTION CONDITIONS & PROCEDURES

14.1 Eligibility for the subscription

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

As per CBO regulations, local banks are not eligible to subscribe to these Bonds.
Neither the Bank nor a related entity can directly or indirectly purchase and own the Bonds, nor can the Bank directly or indirectly finance the ownership and purchase of the Bonds.

14.2 Issue Period

Issue period opens on – 9 December 2018
Issue period ends on – 20 December 2018

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

14.3 Minimum and Maximum Application

The minimum application can be for 100 Bonds and the maximum application can be for 40,000 Bonds.

14.4 Investor Number with MCDC

1. Any person who desires to subscribe to the Issue must have an investor account with MCDC as per its working form, which may be obtained from the MCDC Head Office or its website or from brokerage companies. Each Applicant may open this account through the following outlets:

   - Head Office of MCDC in Muscat
   - By fax on no. 24817491
   - Through the MCDC website

2. With regard to the investors who presently hold accounts with MCDC, all investors shall be required, before the subscription, to confirm whether their accounts contain their basic particulars totally, that being the name in full, postal address, Civil Status No., as mentioned in the Personal Card (Civil) or Civil No., furnished in the Passport or Civil No., as provided for in the new Birth Certificate and details of the bank account. Every investor may update his particulars through the outlets mentioned above.

3. All correspondence including notices and cheques shall be sent to the Applicant at the address recorded at MCDC. Therefore, all Applicants shall verify the correctness of such addresses.

4. Each Applicant shall be required, after opening of the investor account or updating of his particulars, to secure from MCDC, the correct number so as to have it registered in the Application for the subscription. The investor himself shall be responsible for verification of the number furnished in the Application. Any Application that does not bear the correct investor account number shall be rejected without contacting the Applicant.

For more information on these procedures, please contact:
Muscat Clearing and Depository Company SAOC
Tel. +968 24822222, Fax. +968 24817491

14.5 Particulars of the bank account

1. Each Applicant shall be required to furnish the particulars of his bank account (registered in the name of the Applicant). The Applicant shall not use the bank account number of any other person except in case of minor children only.

2. If the bank account of the Applicant is registered with a bank other than the one receiving the subscription, he shall be required to submit a document evidencing that the bank account particulars as provided for in the Application Form are correct. This can be done by submitting any document from the Applicant's bank which clearly shows the account number and name of the account holder (Applicant), such as an account statement issued by the bank containing these particulars only or a letter or any document issued by the Applicant's bank containing the aforesaid information. The Applicant shall ensure that the evidence submitted is readable in a clear manner, containing the account number and full name of the account holder. The Applicant is not obliged to submit the evidence of his bank account if he is subscribing through the bank wherein he is maintaining his account. In this case, the collecting bank shall be required to verify and confirm the Applicant's account details in its specific system and procedure .

3. The bank account provided in the Application Form would be used only for refunds.

4. An Application Form for subscription containing the bank account number of a person other than the Applicant shall be rejected.

14.6 Documentation Required

1. Submission of a document confirming correctness of the bank account details written in the Application Form, only if subscription is through a bank other than the one with whom the Applicant has his account.

2. Copy of a valid Power of Attorney duly endorsed by the competent legal authorities in the event the subscription is on behalf of another person.

3. In case of applications by non-individuals, which are signed by a person in his/her capacity as an authorized signatory, a copy of adequate and valid documentation should be attached.

14.7 Mode of Subscription

1. The Applicant shall be required to fill in the Application Form and furnish all his particulars including the investor number available with MCDC, Civil Number/Passport Number/ Commercial Registration Number or similar details.

2. The Applicant shall be responsible for furnishing all his particulars, ensuring correctness and validity of the information provided for in the application. While emphasizing on it, the bank receiving the subscription has been instructed to accept only those Application Forms that comply with all the requirements as provided for in the Application Form and Prospectus.

3. Before filling the Application Form, the Applicant should peruse the Prospectus and read the conditions and procedures governing the subscription with total care and importance.

4. The Applicant shall be required to submit the Application to the Collecting Bank along with the payment towards the Bonds and also ensure that the documents in support of the information furnished referred to above are enclosed.

5. The subscription money should be paid in Omani Rial only. Payment in any other currency may cause rejection of Application.

6. In case of payment through bank transfer, the Applicant is responsible for ensuring successful transfer of subscription amount to Collecting Bank within the subscription period and attach a copy of the bank transfer confirmation with his Application Form.

7. Payment of the value of the subscription can be made by cash / cheque / bank transfer to the following account-

   BANK DHOFAR AT1 BOND – BRANCH POOL a/c
   A/c no. 09701361612900
   Bank Dhofar
   BDOFOMRUXXX

14.8 Bank receiving the subscription

The Applications shall be accepted by BankDhofar SAOG (Collecting Bank) during its official working hours only.

The Collecting Bank shall be required to accept the Application after confirmation of compliance of the procedure and subject matter in line with the requirements as provided for in the Prospectus. Hence, the Collecting Bank must instruct and verify that the Applicants comply and fulfil all requirements as stated in the Application Form and the Prospectus.

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

14.9 Acceptance of the Applications

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

1. If the Application Form does not bear the signature of the Applicant.
2. In case of failure to pay the value of the Bonds subscribed in accordance with the conditions provided for in the Prospectus.
3. If the value of the Bonds subscribed is paid through cheque and if the same is dishonoured for whatever reason.
4. If the Application Form does not bear the investor's shareholder no., available with MCDC.
5. If the investor's shareholder number furnished in the Application Form is incorrect.
6. If the Applicant submits more than one Application in the same name, all of them shall be rejected.
7. If the supporting documents referred to in the Prospectus are not enclosed with the Application Form.
8. If the Application does not contain all the particulars of the bank account of the Applicant.
9. If the particulars of the bank account of the Applicant in the Application are found to be incorrect.
10. If the particulars of the bank account provided for in the Application are found to be not relevant to the Applicant.
11. In case of failure to attach Power(s) of Attorney with the Application as per the Prospectus in respect of a person who subscribes and signs on behalf of another person.
12. If the Application does not comply with the legal and organizational requirements as provided in the Prospectus.

If the Collecting Bank observes, after receipt of the Application and before expiry of the time prescribed for handing over of the Applications in a final manner to the Issue Manager, that the Application has not complied with the legal or other requirements as provided in the Prospectus, then the Collecting Bank shall take due efforts to contact the Applicant so as to correct the detected mistake. In case of failure to have the mistake corrected within the period referred to, the Collecting Bank receiving the subscription shall be required to return the Application together with the subscription value before expiry of the period specified for handing over of the Applications to the Issue Manager.

14.10 Refusal of Applications

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

14.11 Enquiry & Complaints

The Applicants who intend to seek clarification or file complaints with regard to the issues related to the allotment or rejected Applications or refund may contact the branch of the Collecting Bank where the Application Form was submitted. In case of absence of any response from the Branch, the Applicant may contact the person concerned as hereunder:

BankDhofar SAOG
Ms. Marwa Yahya Al Zadjali
PO Box 1507, PC 112, Ruwi, Sultanate of Oman
Phone: +968 24726372, Fax: +968 24726272
E-Mail: InvestmentBack-Office-COD@bankdhofar.com

If the Collecting Bank fails to arrive at a solution or settlement with the person who has submitted his Application, it shall refer the subject matter to the Lead Issue Manager, and keep the Applicant posted of the progress and development in respect of the subject matter of the issue. The Applicant shall also keep in touch with the Collecting Bank only so as to know the decisions arrived at.

Lead Issue Manager's Contact –
Mr. Amit Maheshwari
Gulf Baader Capital Markets SAOC
P.O. Box 974, PC 112, Ruwi, Sultanate of Oman
Tel: +968 22350729 Fax: +968 22350745
E-Mail: cfd@gbcmoman.net

14.12 Allotment and Refund

The allotment of Bonds to Applicants shall be discretionary, may not be in any specific proportion and shall be subject to approval of CMA. The submission of an Application or its acceptance by the Collecting Bank or Issue Manager does not guarantee allotment.

Once allotment is made, the applicant will be sent an allotment advice with the details of his allotment and refund. The refund will be made within 15 days of the closure of the Issue and may be directly transferred to the Applicant's bank account provided in the Application Form. Refunds shall be made net of the bank charges and other charges, as applicable.

14.13 Listing

The Bonds shall be listed on the MSM.

14.14 Proposed Timetable

The following is the proposed time table for the Issue –

Activity	Date*
Issue Opening Date	9 December 2018
Issue Closing Date	20 December 2018
Receipt of final subscription report from Collecting Bank	24 December 2018
Presenting subscription results to the CMA	25 December 2018
CMA approval for allotment	25 December 2018
Listing of Bonds on MSM	27 December 2018

*The actual dates may vary.

14.15 Responsibilities & Obligations

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

CHAPTER 15 - UNDERTAKINGS

15.1 BankDhofar SAOG

The directors of the Bank jointly and severally undertake that :

1. The information provided in this Prospectus is true and complete.

2. Due diligence has been taken so as to avoid omission of any important facts or information that would have made the expressions in the Prospectus misleading.

3. All the provisions set out in the Capital Market Law promulgated by Royal Decree 80/98 as amended and the CCL and the rules and regulations issued pursuant to them have been complied with.

Signed on behalf of the Board of Directors:

Sd/-

Mr. Ahmed bin Said Al Mahrezi

Sd/-

Tariq Abdul Hafidh Al Aujaili

15.2 Issue Manager

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

The Board of Directors of BankDhofar SAOG shall bear the responsibility for the validity and correctness of the information provided in this Prospectus, and they have confirmed that no material information has been omitted from it, the omission of which would render this prospectus misleading.

We do confirm that we have taken necessary due care as required by our profession with regard to the Prospectus that has been prepared under our supervision. On the basis of the review work referred to above and discussions held with the Issuer, its Directors, officials and other related parties with regard to the subject matter of the Issue and contents of the documents submitted to us, we confirm as under:

1. We have taken necessary and reasonable care to ensure that the information given to us by the Issuer and that contained in the Prospectus are consistent with the facts available in the documents and other material pertaining to the Issue.

2. To the best of our knowledge and on the basis of our perusal and information given to us by the Issuer, the Issuer has not omitted any material information, the omission of which would render the Prospectus misleading.

3. The Prospectus and the Issue to which it relates is consistent with all the rules and terms of disclosure stipulated for in the Capital Market Law, the Executive Regulations of the Capital Market Law and prospectus models applied by CMA and is in conformity with the Commercial Companies Law and decisions issued in this regard.

4. The information contained in this Prospectus in Arabic (with its unofficial translation in English) is correct, reasonable and adequate as per our perusal to assist the investor in taking an appropriate decision whether or not to invest in the securities offered.

Sd/-

Gulf Baader Capital Markets SAOC

15.3 Legal Advisor

The Legal Advisor, whose name appears below, hereby confirms that all the procedures undertaken with regard to the Bond Issue are in line with the laws and legislations related to the Issuer's business, the Commercial Companies Law, the Capital Market Law and the regulations and directives issued pursuant to them, the requirement and rules for the issue of securities issued by and as advised by the CMA, the Articles of Association of the Issuer and the resolutions of the general meeting and board of directors of the Issuer. The Issuer has secured all relevant consents and approvals required to proceed with the Bond Issue.

Sd/-

Dentons & Co. Oman Branch

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