

Subordinated Perpetual Additional Tier 1 Capital Instruments

Issue Date: 20 November 2022



Issuer



Bank Muscat S.A.O.G.
P.O. Box 134, P.C. 112, Ruwi
Sultanate of Oman
Tel: +968 2476 8888; Fax: +968 2479 8220
URL: www.bankmuscat.com

**PROSPECTUS FOR THE ISSUE OF 375,319,853, 4.25% SUBORDINATED
PERPETUAL ADDITIONAL TIER I CAPITAL INSTRUMENTS**

(Bonds)

(Issue Price of RO 1.000 per Bond)

Issue Manager



Investment Banking

Registrar, Paying Agent and Bondholders' Agent

Muscat Clearing and Depository SAOC
P.O. Box 952, Ruwi, PC 112, Sultanate of Oman
Tel: +968 24822222; Fax: +968 24817491

Legal Advisor



Al Busaidy, Mansoor Jamal & Co.
Barristers & Legal Consultants
P.O. Box 686, Postal Code 112, Ruwi, Sultanate of Oman
Tel: +968 2481 4466; Fax: +968 2481 2256
URL: www.amjoman.com

This Prospectus has been prepared in accordance with the requirements as prescribed by the Capital Market Authority (the "CMA"). This is an unofficial English translation of the original Prospectus prepared in Arabic and approved by the CMA in accordance with Administrative Decision No. Kh/146/2022 dated 13 November 2022. The Capital Market Authority assumes no responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus nor will it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person.

Important Notice to Investors

The objective of this Prospectus is to present material information relating to the securities which are being issued to the Bank's shareholders by way of a dividend.

This Prospectus includes all material information and data relating to the securities and does not contain any misleading information or omit any material information.

The Board of Directors of Bank Muscat SAOG ("Bank") are jointly and severally responsible for the integrity and adequacy of the information contained in this Prospectus and the same has been prepared in good faith. All reasonable care has been taken to include material information and no such 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 gain an understanding of the securities, which are the subject of this Prospectus.

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

Forward-Looking Statements

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

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

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

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

The Bank cannot provide any assurance that forward-looking statements will materialize. The Bank, the Issue Manager and any of their respective affiliates, disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless required by securities laws. For a description of material factors that could cause the Bank's actual results to differ materially from the forward-looking statements in this Prospectus, see section titled "Risk Factors and Mitigants" of this prospectus. The risk factors described in this Prospectus are not necessarily comprehensive of all of the important factors that could cause actual results to differ materially from those expressed in the forward-looking statements.

Currency of Presentation: All references to "Rials" or "RO" are to Omani Rials, the official currency of the Sultanate of Oman. The Omani Rial is pegged to the US Dollar and the pegged exchange rate is 1 USD = 0.385 OMR, 1 OMR is composed of 1,000 Baizas.

Industry and Market Data: Industry and market data in this Prospectus has been obtained from third parties or from public sources such as websites and publications. Neither the management of the Bank nor the Issue Manager has independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying assumptions relied upon by such sources. In addition, neither the Bank nor the Issue Manager has independently verified any of the industry data prepared by management of the Bank.

Table of contents

IMPORTANT NOTICE TO INVESTORS	2
DEFINITIONS AND ABBREVIATIONS	5
1. GENERAL INFORMATION ON THE OFFERING AND THE ISSUER.....	12
2. CREDIT RATING OF THE ISSUER	17
3. RISK FACTORS AND MITIGANTS.....	22
4. OBJECTS AND APPROVALS	32
5. PURPOSE OF THE ISSUE AND ISSUE EXPENSES	35
6. TERMS AND CONDITIONS OF THE BOND ISSUE	36
7. RIGHTS AND RESPONSIBILITIES	48
8. RELATED PARTY TRANSACTIONS.....	52
9. FINANCIAL HIGHLIGHTS.....	53
10. CORPORATE SNAPSHOT AND BUSINESS	56
11. CORPORATE GOVERNANCE, BOARD, TOP MANAGEMENT	59
12. ALLOTMENT OF BONDS	66
13. UNDERTAKINGS.....	67

Definitions and abbreviations

Additional Tier 1 Capital	The capital qualifying as, and approved by the CBO as, additional tier 1 capital in accordance with the Capital Regulations.
Agent	MCD or any successor body thereto and includes all persons who may be appointed as Bondholders' agent under the terms of the Declaration of Agency Agreement to act for and on behalf of the Bondholders as their representative.
Allotment:	The Bonds will be exclusively allotted to Shareholders whose name is present in the shareholders register maintained by MCD as on the Record Date in accordance with the Allotment Ratio
Allotment Ratio	1 Bond for every 10 Ordinary Shares held by a Shareholder as on the Record Date. For the sake of clarity, it is specified that the Ordinary Shares issued pursuant to the Bonus Share Issue on the OGM Date would not be considered for determining the allotment of Bonds based on the Allotment Ratio
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.
Articles or AOA	Articles of Association of the Bank, as may be amended from time to time in accordance with the provisions as contained therein.
Authorised Signatories	The persons listed from time to time on the Bank's Commercial Register with the Ministry of Commerce, Industry and Investment Promotion in Oman.
Bank/Issuer	Bank Muscat SAOG.
Basel III Documents	The Basel Committee on Banking Supervision document "A global regulatory framework for more resilient banks and banking systems" released by the Basel Committee on 16 December 2010 and revised in June 2011 and the Annex contained in its document "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" released by the Basel Committee on 13 January 2011 each as revised, amended or supplemented from time to time.
Board / Board of Directors	Issuer's Board of Directors elected by the Shareholders' general meeting from time to time in accordance with the provisions of the Articles, the CCL and the regulations and rules issued by the CBO and the CMA.
Bonds	The subordinated, perpetual bonds issued pursuant to this Prospectus, having a Nominal Value of RO 1.000 per Bond.
Bondholder	A holder of a Bond issued by the Issuer pursuant to this Issue.
Bondholders' Register	The register maintained by MCD 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 Declaration of Agency Agreement and in accordance with the applicable provisions of the CCL.
Bonus Shares Issue	The issuance of 3,753,198,531 Ordinary Shares to the Shareholders on the Record Date through bonus issue pursuant to the approval of the Shareholders on the OGM Date
Business Day	A day in which commercial banks and the Registrar are open for general business in Oman.
Call Date and First Call Date	<p>The First Call Date and every six (6) months thereafter. Any Call will be exercised solely at the discretion of the Bank only after a minimum of 5 years from the Issue Date and only with the prior written approval of the CBO.</p> <p>The First Call Date is 20 November 2027, being the date falling on the fifth anniversary of the Issue Date.</p>
Capital Event	A Capital Event is deemed to have occurred if the Bank is notified in writing by the CBO to the effect that the outstanding principal amount of the Bonds would cease to qualify for inclusion in the consolidated Additional Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital).
Capital Regulations	The regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Oman, including those of the CBO (which shall include, without limitation, the CBO's CP-1 Guidelines on regulatory capital under Basel III issued via the Central Bank circular BM1114 dated 17 November 2013).
CBO	The Central Bank of Oman or any successor entity having primary bank supervisory authority with respect to the Bank in Oman.
CCL	Commercial Companies Law of Oman (Royal Decree 18/2019).
CMA	The Capital Market Authority of Oman.
Day-count Fraction	The number of days in the relevant period divided by 365 (including the first such day but excluding the last).
Declaration of Agency Agreement	The agreement being entered into between the Issuer and MCD for MCD to act as Agent for the Bondholders.
Determination Date	In respect of a Reset Period, the third business day prior to the commencement of such Reset Period.
Director(s)	A member of the Board of Directors of the Bank.
Distributable Items	Distributable Items means the Bank's accumulated and realised profits as approved by CBO (to the extent not previously distributed or capitalised) less accumulated losses, all as set out in the most recent audited or (as the case may be) auditor reviewed financial statements of the Bank.

Event of Default	<p>Event of Default means:</p> <p>(a) Non-payment: the Bank fails to pay an amount in the nature of principal or interest due and payable by it on the Bonds pursuant to the Conditions and the failure continues for a period of seven (7) days in the case of principal and fourteen (14) days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event or the Bank making a Non-Payment Election); or</p> <p>(b) Insolvency: a final determination is made by a court or other official body that the Bank is insolvent or bankrupt or unable to pay its debts; or</p> <p>(c) Winding-up: an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Bank or the Bank shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (i) for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation of the Bank; or (ii) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority.</p>
First Interest Payment Date and Interest Payment Date	<p>The First Interest Payment date is 20 May 2023.</p> <p>The Interest Payment Date will be each 20 May and 20 November in each year, starting on and including 20 May 2023.</p> <p>Interest will be paid to all Bondholders on Interest Payment Dates, whose name appears on the Bondholders' Register as on the Interest Payment Record Date.</p>
Financial Year	<p>The financial year of the Issuer commencing from 1st January and ending on 31st December of every year or as may be amended by the shareholders in accordance with the Issuer's Articles of Association.</p>
Initial Interest Rate	<p>Has the meaning given to it in Condition 6.5.1 (Interest Payments).</p>
Initial Period	<p>The period from and including the Issue Date, to but excluding the First Call Date.</p>
Interest Payment Amount	<p>The amount of interest payable, subject to Condition 6.6 (Interest Restrictions) and Condition 6.7 (Payments), on each Interest Payment Date.</p>

Interest Payment Record Date and Principal Payment Record Date	<p>In the case of the payment of interest, the date falling six (6) business days (or any other period stipulated by MCD) before the relevant Interest Payment Date ("Interest Payment Record Date") and, in the case of payment of Redemption Amount (if any), the date falling six (6) business days (or any other period stipulated by MCD) before the date for payment of the relevant Redemption Amount (as the case may be), (the "Principal Payment Record Date").</p> <p>Six (6) business days (or any other period stipulated by MCD) before the Interest Payment Date, the Issuer will co-ordinate with MCD to obtain list of Bondholders as of the Interest Payment Record Date, for the purpose of making interest payments on the Interest Payment Date.</p>
Interest Period	The period from and including the Issue Date to, but excluding, the first Interest Payment Date, and each successive period from and including an Interest Payment Date to but excluding the next Interest Payment Date.
Interest Rate	In respect of the first Interest Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 6.5.1 (Interest Payments).
Interest Restriction	Has the meaning given to it in Condition 6.6 (Interest Restrictions)
Issue	The issue of 375,319,853 Bonds under this Prospectus.
Issue Date	20 November 2022.
Issuer Manager	Bank Muscat SAOG.
Junior Obligations	<p>(a) All claims of the holders of Ordinary Shares; or</p> <p>(b) any other present or future payment obligations that rank or are expressed to rank junior to the Bonds.</p>
Laws of Oman	The laws of Oman in the form of Royal Decrees, Ministerial Decisions, CMA and CBO Regulations as the same may have been, or may from time to time be enacted, amended or reenacted or issued.
MOCIIP	The Ministry of Commerce, Industry and Investment Promotion of Oman.
MSX	The Muscat Stock Exchange SAOC.
Non-Payment Election	Has the meaning given to it in Condition 6.6.2 (Non-Payment Election).
Non-Payment Event	Has the meaning given to it in Condition 6.6.1 (Non-Payment Event).
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 CBO or as is set out in the applicable banking regulations.

Non-Viability Event	<p>Means that:</p> <p>(a) the CBO has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without a Write-down; or</p> <p>(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,</p> <p>For the avoidance of doubt, where the CBO has determined that a public sector injection of capital (or equivalent support) is required, the Write-down will be full and permanent, and shall occur prior to any public sector injection of such capital or equivalent support.</p>
Non-Viability Event Write-down Date	The date on which the Write-down will take place as specified in the Non-Viability Notice, which date shall be no later than ten (10) Business Days (or such date as determined by the CBO) after the date of the Non-Viability Notice.
Non-Viability Notice	Has the meaning given to it in Condition 6.9 (Write-down at the Point of Non-Viability).
Obligations	Has the meaning given to it in Condition 6.4.2 (Subordination of the Bonds).
Extraordinary General Meeting (EGM) Date	9 November 2022, being the date when the Issue and the Bonus Shares Issue was approved by the Shareholders of the Issuer in the Extraordinary General Meeting
Ordinary General Meeting (OGM) Date	9 November 2022, being the date when Bonus Shares Issue was approved by the shareholders of the Bank in the Ordinary General Meeting
Oman	The Sultanate of Oman.
Ordinary Shares	Ordinary shares of the Bank.
Outstanding Payments	In relation to any amounts payable on Redemption of the Bonds, an amount representing any due and payable but unpaid interest for the Interest Period during which Redemption occurs to the date of Redemption. For the avoidance of doubt, the obligation to pay Outstanding Payments is without prejudice to the Bank's right to elect not to pay earlier Interest Payment Amounts or to the non-payment of such amounts as a result of a Non-Payment Event having occurred.
Pari Passu Obligations	All subordinated payment obligations of the Bank which rank, or are expressed to rank, pari passu with the Obligations.
Partial Redemption Amount	In the event of the Bonds being redeemed in part, an amount in multiple of 100Bzs at the nominal value as elected by the Bank pursuant to Condition 6.8 (b).
Paying Agent Agreement	The agreement being entered into between the Issuer and MCD for MCD to act as Paying Agent for the Bondholders.
Payment Day	Has the meaning given to it in Condition 6.7.3 (Payment Day).

Prospectus	This Prospectus as approved by the CMA.
Qualifying Additional Tier 1 Instruments	Any present or future Instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) other than Ordinary Shares or Other Common Equity Tier 1 Instruments, issued directly or indirectly by the Bank that will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Additional Tier 1 Capital.
Record Date	The EGM Date.
Redemption Amount	In the event of the Bonds being redeemed in full, the outstanding principal amount of the Bond.
Registrar/ Agent/ Paying Agent / MCD	Muscat Clearing & Depository SAOC.
Registrar Agreement	The agreement being entered into between the Issuer and MCD for MCD to act as Registrar for the Bondholders.
Relevant Margin	2.25% (225 Bps).
Reset Date	The First Call Date and every twenty four (24) months' anniversary thereafter.
Reset Interest Rate	The Interest Rate applicable for each Reset Period (each a Reset Interest Rate), which shall be the aggregate of the Reset Reference Rate as determined by the Bank, on the Determination Date and the Relevant Margin.
Reset Period	The 24-month period from the First Call Date to the following Reset Date, and each successive period of twenty four (24) months thereafter from such Reset Date to the next succeeding Reset Date.
Reset Reference Rate	The weighted average interest rate payable on Rial Omani deposits, as recorded in the latest edition of the CBO's Monthly Statistical Bulletin, which is published on the CBO's website prior to the Determination Date, with such interest rate being rounded-up to the first decimal place (By way of example the value of 3.122 would be rounded-up and expressed as 3.2).
Rial Omani or RO	Omani Rial, which is the lawful currency of Oman. Each Omani Rial is equivalent to 1000 Baizas.
Securities Law	The Securities Law (Royal Decree 46/2022).
Senior Obligations	The deposit holders, general creditors, holders of subordinated debt/ bonds/ sukuk of the Bank, all unsubordinated payment obligations of the Bank and all subordinated payment obligations (if any) of the Bank to which the Obligations rank, or are expressed to rank, junior.
Shareholders	The holders of Ordinary Shares 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 of tax (whether or not a Non-Payment Event has occurred or a Non-Payment Election has been made), as a result of any change in, or amendment to or interpretation of, the tax laws, published practice or regulations of Oman or any change in the application or interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date and such requirement cannot be avoided by the Bank taking reasonable measures available to it).
Taxes	Has the meaning given to it in Condition 6.11 (Taxation).
Tier 1 Capital	The capital qualifying as, and approved by the CBO as, tier 1 capital in accordance with the Capital Regulations.
Tier 2 Capital	The capital qualifying as, and approved by the CBO as, tier 2 capital in accordance with the Capital Regulations.
Write-down	<p>(a) the Bonds shall be cancelled (in the case of a Write-down in whole) or written-down in part on a pro rata basis (in the case of a Write-down in part) as determined by the Bank in conjunction with the CBO in accordance with the Capital Regulations; and</p> <p>(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.</p> <p>For the avoidance of doubt, with respect to paragraphs (a) and (b) of this definition, the Write-down will be full and permanent where the CBO has determined, under paragraph (b) in the definition of "Non-Viability Event", that a public sector injection of capital or equivalent support is required and shall occur prior to any public sector injection of such capital or equivalent support.</p> <p>A Write-down will only take place with the prior written approval of the CBO.</p>

1. General information on the Offering and the Issuer

1.1 KEY TERMS

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

Issuer:	Bank Muscat SAOG.
Commercial Registration	1145738.
Registered Office	P.O. Box: 134, Postal Code 112 Muscat / Muscat Governorate Sultanate of Oman.
Authorized Share Capital	RO 800,000,000 (Eight Hundred Million Omani Rials)
Issued & Paid-up Capital after the Bonus Shares Issue	RO 750,639,706 (Seven Hundred Fifty Million Six Hundred And Thirty-Nine Thousand, Seven Hundred and Six Omani Rials).
Issued & Paid-up Capital before the Bonus Shares Issue	RO 375,319,853 (Three Hundred Seventy-Five Million, Three Hundred Nineteen Thousand, Eight Hundred and Fifty-Three) as on the Record Date.
Total shares issued pursuant to Bonus Shares Issue	3,753,198,531 ordinary shares aggregating to RO 375,319,853 (Three Billion, Seven Hundred and Fifty-Three Million, One Hundred and Ninty-Eight Thousand, Five Hundred and Thirty-One)
Total Bonds issued pursuant to the Issue	375,319,853 Bonds aggregating to RO 375,319,853 (Three Hundred Seventy-Five Million, Three Hundred Nineteen Thousand, Eight Hundred and Fifty-Three)
Credit Rating of Issuer	Long term ratings: <ul style="list-style-type: none">• S&P: BB- (Stable outlook) on 7 Apr 2022• Moody's: Ba3 (Positive outlook) on 11 Oct 2022• Fitch: BB (Stable voutlook) on 24 Aug 2022.
Instrument Offered	Perpetual Subordinated Bonds as Additional Tier 1 Capital Instruments.
Issue Route	Allotment without any consideration to Shareholders on a proportionate basis as per the Allotment Ratio.
Issue Size	375,319,853 (Three Hundred Seventy Five Million Three Hundred And Nineteen Thousand Eight Hundred and Fifty Three Only) Bonds to be allotted to Shareholders as per the Allotment Ratio.
Use of Proceeds	Optimization of the Bank's capital structure. The Bank shall not receive any proceeds from the Issue.

Denomination	OMR (Omani Rials).
Nominal Value	OMR 1.000 per Bond.
Issue Price	OMR 1.000 per Bond.
Maturity/ Tenor of the Bonds	<p>The Bonds are perpetual subordinated securities in respect of which there is no fixed or final Redemption date or other incentives for the Bank to redeem the Bonds.</p> <p>(Please refer Chapter 6 for further details).</p>
Call Option	<p>Pursuant to Condition 6.8(b) (Bank's Call Option), the Bank may, at any time after the fifth anniversary of the Issue Date and pursuant to CBO approval, give 30 days' written notice of a date, on which the Bonds shall be redeemed either in full or in part (the "First Call Date").</p>
Interest Rate	<p>With respect to the Initial Period, the Initial Interest Rate in accordance with Condition 6.5.1 (Interest Payments), and, with respect to each Reset Period thereafter, the rate calculated in accordance with Condition 6.5.1 (a) (Interest Payments).</p>
Initial Interest Rate	4.25% per annum.
Interest Payment Dates	Semi-annual, on 20 May and 20 November. The first Interest Payment Date will be 20 May 2023.
Interest Payment Amounts	<p>Subject to the Interest Restrictions, the Bonds shall bear interest semi-annually in arrears from (and including) the Issue Date.</p> <p>The Interest Payment Amount payable on each Interest Payment Date shall be payable out of Distributable Items (as defined).</p> <p>The Interest Rate will be reset on each Reset Date (as defined) on the basis of the aggregate of the relevant Reset Reference Rate and the Relevant Margin on the relevant Determination Date, as determined by the Bank (see Condition 6.5 (Interest)).</p> <p>If the Bank makes a Non-Payment Election or a Non- Payment Event occurs, the Bank shall not pay the corresponding Interest Payment Amounts on the relevant Interest Payment Date and the Bank shall not have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 6.6 (Interest Restrictions). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and Bondholders will have no right to receive such interest at any time, even if interest is paid in the future. It is further clarified that such non-payment of interest payment amounts by the Bank shall not constitute an Event of Default.</p>

Reset Interest Rate	<p>The Interest Rate will be reset on the First Call Date and every 24 months thereafter, on each Reset Date (each a Reset Interest Rate).</p> <p>Each Reset Interest Rate will be the aggregate of the Reset Reference Rate and the Relevant Margin on the Determination Date, as determined by the Bank.</p>
Interest Restriction	<p>If the Bank makes a Non-Payment Election or a Non- Payment Event occurs, the Bank shall not pay the corresponding interest payment amounts on the relevant Interest Payment Date and the Bank shall not have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 6.6 (Interest Restrictions). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and Bondholders will have no right to receive such interest at any time, even if interest is paid in the future. It is further clarified that such non-payment of Interest Payment Amounts by the Bank shall not constitute an Event of Default.</p>
Redemption	<p>The Bonds are unsecured, perpetual subordinated securities in respect of which there is no fixed or final Redemption date or maturity date.</p> <p>The Bonds may be redeemed by the Bank (either in full or in part) only in accordance with the provisions as set out in Condition 6.8 (b) (Bank's Call Option).</p> <p>The Redemption of the Bonds is subject to the following conditions:</p> <ul style="list-style-type: none"> (i) the prior written consent of the CBO; and (ii) the requirement that, at the time when the relevant notice of Redemption is given and immediately following such Redemption, the Bank is or will be (as the case may be) in compliance with the Capital Requirements; <p>(in the case of (i) and (ii) above, except to the extent that the CBO no longer so requires).</p> <p>Any Redemption shall be with the prior approval of CBO and there can be no assumption that that the said approval will be given.</p>

<p>Write Down</p>	<p>If a Non-Viability Event occurs, a Write-down shall occur on the relevant Non-Viability Event Write-down Date (as defined) as more particularly described in Condition 6.9 (Write-down at the Point of Non- Viability).</p> <p>In such circumstances, the rights of the Bondholders to payment of any amounts under or in respect of the Bonds shall, as the case may be, be cancelled or written-down permanently, in full or in part pro rata among the Bondholders.</p> <p>A Write-down shall not constitute an Event of Default.</p> <p>A Write-down will only take place with the prior written approval of the CBO.</p>
<p>Status of the Bonds</p>	<p>The payment obligations of the Bank under the Bonds will:</p> <ul style="list-style-type: none"> (a) constitute Additional Tier 1 Capital of the Bank; (b) constitute direct, unsecured, unconditional and subordinated obligations of the Bank that rank pari passu amongst themselves; (c) rank subordinated to the claims of the Bank’s depositors, general creditors, the holders of other subordinated debt / bonds/ sukuk of the Bank, and to all unsubordinated payment obligations of the Bank and all subordinated payment obligations (if any) of the Bank to which the Obligations rank, or are expressed to rank, junior; (d) rank pari passu with subordinated payment obligations of the Bank which rank, or are expressed to rank, pari passu with the Obligations; and (e) rank in priority only to claims of the holders of ordinary equity shares and other Junior Obligations of the Bank. <p>The Bonds are not secured nor covered by a guarantee of the Bank or a related entity or other arrangement legally or economically enhancing the seniority of the claim vis-à-vis depositors, general creditors, holders of other subordinated debt/ bonds/ sukuk of the Bank and all subordinated payment obligations (if any) of the Bank to which the obligations rank, or are expressed to rank, junior. There is no dividend pusher under the terms of the Bonds Issue.</p>
<p>Listing</p>	<p>The Bonds will be listed on the bond segment of Muscat Stock Exchange (MSX).</p>
<p>Form of the Bonds</p>	<p>The Bonds will be issued in dematerialized form and MCD will act as the Registrar to the Bonds and maintain a Bondholders’ Register setting out the names and addresses of the Bondholders and the number of Bonds held by them respectively. The administration of registration of transfers of Bonds shall also be maintained by MCD.</p>

Issue Date and Allotment	<p>The Issue Date is 20 November 2022.</p> <p>The Bonds will be allotted on the Issue Date. Validity of the allotment shall be subject to the approval of all relevant authorities.</p>
Issue Manager	<p>Bank Muscat SAOG – Investment Banking Division P.O. Box 134, Postal Code 112 Ruwi Sultanate of Oman Tel: +968 2476 8888; Fax: +968 2479 8220 URL: www.bankmuscat.com</p>
Agent, Paying Agent & Registrar	<p>Muscat Clearing & Depository SAOC P.O. Box 952, Postal Code 112, Ruwi, Muscat Sultanate of Oman Tel: +968 2482 2222; Fax: +968 2481 7491 URL: www.mcd.gov.om</p>
Legal Advisor	<p>Al Busaidy, Mansoor Jamal & Co Barristers & Legal Consultants P.O. Box 686, Postal Code 112, Ruwi Sultanate of Oman Tel: +968 2481 4466; Fax: +968 2481 2256 URL: www.amjoman.com</p>
External Auditors to the Issuer	<p>Ernst & Young LLC P.O. Box 1750, Ruwi 112 5th Floor, Landmark Building Bowsher, Muscat Sultanate of Oman Tel: +968 2250 4559; Fax: +968 2206 0810 URL: www.ey.com</p>

AUTHORIZATION OF THE OFFERING

- The CBO vide their letter No. SD/2022/BM/CPOC/406 dated 19 October 2022 approved the Issue.
- The issue of the Bonds was authorized by the Shareholders of the Issuer at an Extraordinary General Meeting held on 9 November 2022 (“EGM Date”).
- The distribution of bonus shares was approved by the shareholders of the Issuer at an Ordinary General Meeting held on 9 November 2022 (“OGM Date”).
- The CMA has approved the issue and the prospectus as per details stated on the first page.

2. Credit Rating of the Issuer

2.1 Issuer Rating

The Issuer has been assigned ratings by three leading rating agencies of international repute namely Moody's Investor Service ("Moody's"), Fitch Rating ("Fitch") and Standard & Poor's ("S&P"). For any debt issuance in Oman the rating of the Issuer is limited by Oman's sovereign rating.

Summary of the Ratings

Bank Muscat Entity Rating (Current ratings)	Moody's	Fitch	S&P
Long Term	Ba3	BB	BB-
Outlook	Positive	Stable	Stable

2.1.1 Moody's Investor Service

Moody's is a leading global credit rating, research and risk analysis firm, publishes credit opinions, research and ratings on fixed income securities, issuers of securities and other credit obligations. Additional information on Moody's is available at www.moody.com.

Moody's Rating – Definitions

Rating	Definition
Aaa	Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are 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 and interest.
C	Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody’s appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a “(hyb)” indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms. By their terms, hybrid securities allow for the omission of scheduled dividends, interest, or principal payments, which can potentially result in impairment if such an omission occurs. Hybrid securities may also be subject to contractually allowable write-downs of principal that could result in impairment. Together with the hybrid indicator, the long-term obligation rating assigned to a hybrid security is an expression of the relative credit risk associated with that security

2.1.2 Fitch

Fitch is a dual-headquartered in New York and London, operating offices and joint ventures in more than 49 locations in over 30 countries and covering entities in more than 90 countries. Additional information on Fitch is available at www.fitchratings.com/

Fitch Ratings – Definitions

The following rating scale applies to foreign currency and local currency ratings:

Rating	Definition
AAA	Highest Credit Quality 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very High Credit Quality 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High Credit Quality 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good Credit Quality 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.

B	<p>Highly Speculative</p> <p>'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.</p>
CCC	<p>Substantial Credit Risk</p> <p>Very low margin for safety. Default is a real possibility</p>
CC	<p>Very High Levels of Credit Risk</p> <p>Default of some kind appears probable.</p>
C	<p>Near Default</p> <p>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:</p> <ul style="list-style-type: none"> • The issuer has entered into a grace or cure period following non-payment of a material financial obligation; • The issuer has entered into a temporary negotiated waiver or standstill agreement following a payment default on a material financial obligation; • The formal announcement by the issuer or their agent of a distressed debt exchange; • 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	<p>Restricted Default</p> <p>RD: Restricted Default 'RD' ratings indicate an issuer that in Fitch's opinion has experienced:</p> <ul style="list-style-type: none"> • An uncured payment default or distressed debt exchange on a bond, loan or other material financial obligation, but • Has not entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, and • Has not otherwise ceased operating. This would include: <ul style="list-style-type: none"> • The selective payment default on a specific class or currency of debt; • The uncured expiry of any applicable grace period, cure period or default forbearance period following a payment default on a bank loan, capital markets security or other material financial obligation; • The extension of multiple waivers or forbearance periods upon a payment default on one or more material financial obligations, either in series or in parallel; ordinary execution of a distressed debt exchange on one or more material financial obligations.

D	<p>Default</p> <p>'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.</p> <p>Default ratings are not assigned prospectively to entities or their obligations; within this context, non-payment on an instrument that contains a deferral feature or grace period will generally not be considered a default until after the expiration of the deferral or grace period, unless a default is otherwise driven by bankruptcy or other similar circumstance, or by a distressed debt exchange.</p> <p>In all cases, the assignment of a default rating reflects the agency's opinion as to the most appropriate rating category consistent with the rest of its universe of ratings and may differ from the definition of default under the terms of an issuer's financial obligations or local commercial practice.</p>
----------	--

2.1.3 S&P Global Rating

S&P Global Ratings (previously Standard & Poor's and informally known as S&P) is an American credit rating agency (CRA) and a division of S&P Global. Additional information on S&P Global is available at www.spglobal.com

S&P's Ratings – Definitions

Rating	Definition
AAA	An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P Global Ratings.
AA	An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
A	An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
BBB	An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
BB, B, CCC, and CC	Obligors rated 'BB', 'B', 'CCC', and 'CC' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'CC' the highest. While such obligors will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.
BB	An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments.

B	An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
CCC	An obligor rated 'CCC' is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
CC	An obligor rated 'CC' is currently highly vulnerable. The 'CC' rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.
SD and D	An obligor is rated 'SD' (selective default) or 'D' if S&P Global Ratings considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.

Note: Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

3 Risk factors and Mitigants

Following risk factors are not comprehensive or exhaustive, as additional risks and uncertainties not presently known or that the Bank currently believes not to be of significance may also have an impact on the Bank and its proposed operations. The actual risks and the impact of such risks could be materially different from those mentioned herein. If any of these uncertainties develop into an actual event, the Bank's proposed operations and results could be adversely impacted. It should also be noted that the Bank intends to undertake steps and/or measures necessary in order to mitigate the risks referred to below apart from those that may be caused by factors that are beyond the Bank's control, including, in particular, factors of political and economic nature.

It is to be noted that past performance is not indicative of future results.

RISK FACTORS AND MITIGANTS RELATING TO THE ISSUER

(a) Competition

The Bank operates in a competitive business environment where it faces competition from other commercial banks, specialized banks and financing companies. This could result in increased pressure on the level of business which could have a negative impact on margins and profitability.

Mitigants: The Issuer follows a customer centric business approach by providing quality service and wide range of products. Being the market leader in Oman, the Issuer continuously prepares itself to face the competition in this dynamic financial market. It takes proactive steps to meet the challenges of competition. The Bank has been performing satisfactorily over the past in an increasingly competitive market and is confident of doing so in the future.

(b) Regulatory Risk

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

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

(c) Credit Risk

Credit risk is the potential loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations in accordance with the agreed terms. The major risk may be faced by the Issuer is the risk that loans given to customers are not repaid fully in a timely fashion. This could be attributable to a problem impacting the individual credit or to systemic portfolio weakness.

Mitigants: The Issuer addresses credit risk through various processes such as; all credit processes i.e. approval, disbursal, administration, classification, recoveries and write-off, are governed by the Bank's credit manual which is reviewed by Risk Management Department and approved by appropriate approval authorities, all corporate lending proposals, where the proposed credit limit for a borrower or related group exceeds a certain threshold, are submitted for approval/renewal to the appropriate authority after an independent review by the Risk Management Department; all corporate relationships are reviewed at least once a year. The lending division undertakes account updates, monitoring and management of exposures on a continuous basis.

(d) Liquidity risk

Liquidity risk arises when the Issuer, although solvent, cannot maintain or generate sufficient cash resources to meet obligations as they fall due or can do so only at materially disadvantageous terms.

Mitigants: In order to ensure that the Issuer can meet its financial obligations as and when they fall due, there is a close monitoring of the assets/liabilities position. Liquidity risk management ensures that the Issuer has the ability under varying stress scenarios to efficiently and economically meet liquidity needs. The Bank's Asset-Liability Committee ("ALCO") evaluates the balance sheet both from a structural as well as liquidity and interest rate sensitivity point of view.

(e) Foreign exchange risk

Foreign exchange risk is the risk of loss due to volatility in the exchange rates.

Mitigants: Foreign exchange risk management is ensured through regular measurement and monitoring of open foreign exchange positions against approved limits. Majority of the foreign exchange transactions carried out by the treasury division are on behalf of corporate customers and are on a back-to-back basis. The Bank's Treasury Division ensures that positions with customers are covered in the interbank market. The Issuer conservatively restricts its open currency position at below 35% of its Tier 1 Capital as against the regulatory limit of 40% of Tier 1 Capital.

(f) Investment Price Risk

Investment price risk is the risk of decline in the market value of the stock and securities in which the Bank has invested.

Mitigants: The Bank's investments are governed by its investment policy, treasury policy and risk policy, approved by the Board and are subject to rigorous due diligence. Investment limits such as position limits, exposure limits, stop loss limits, sectoral limits are defined in relevant policies enabling proper risk management of the Issuer's investments. The investment committee monitors the investments portfolio on a periodic basis. The Bank's Market Risk Unit enables setting up of various thresholds for the investments and the Bank's Middle Office Unit monitors compliance, reports and escalates breaches, if any for necessary corrective action. The Bank follows a conservative approach in the valuation and makes provisions as appropriate based on internal valuation methodologies.

(g) Interest Rate Risk

Interest rate risk is the risk of adverse impact due to changes in market interest rates on the Bank's financial position.

Mitigants: ALCO monitors and manages the interest rate risk in the bank. The Bank's interest rate risk reports are reviewed by the ALCO and reported to the Board, Board Risk Committee and Management Risk Committee.

(h) Asset Liability Mismatch Risk

Since the Bank is in the business of borrowing and lending money, it is exposed to the risk of mismatch in the tenors and other key terms of its assets and liabilities (as a way of an example the Bank may use short term funding for funding long term advances). Such mismatch may potentially lead to adverse impact on the Bank's results of operations.

Mitigants: The Bank's asset and liability mismatch risk is monitored and managed by ALCO with the objective of limiting the potential adverse effects on the Bank's results of operations.

(i) Non-Performing Advances Risk

Any increase in the portfolio of the non-performing advances will have a material adverse effect on the financial condition and results of operations. The non-performing advances for the Bank amounted to RO 298.5 million in Dec 2019, RO 337.8 million in Dec 2020, RO 356.5 million in Dec 2021, increasing to RO 360.9 million in June 2022. Consequently, the Non-Performing Advances provision coverage was 127.2% in Dec 2019, 138.8% in Dec 2020, 147.3% in Dec 2021, which increased to 156.1% in June 2022.

Mitigants: The Bank follows prudent credit policies and processes through which it reviews the credit-worthiness of customers and manages its risk exposure. To mitigate the risk of unforeseen eventualities, adequate security cover is maintained over the assets of borrowers.

(j) Commodity Price Risk

The Issuer operates in the commodities market purely as a provider of hedging facilities and does not either trade in commodities / bullion or maintain positions in commodities. In case the Bank is unable to timely procure sufficient collateral or margins from its customers, there may be adverse impact on the Bank's results of operations.

Mitigants: In view of the high volatility in the commodity prices, the Issuer sets a variation margin limit over and above the volume limit. This enables the Issuer to actively manage customer exposures and make margin calls in the event of adverse price movements.

(k) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The risk is associated with human error, systems failure, inadequate procedures or controls and external causes.

Mitigants: The Bank's risk policy provides the framework to identify, assess, monitor and report operational risks in a consistent and comprehensive manner across the Bank. The Management Risk Committee is the primary oversight body for operational risk. Operational risk is controlled through strong internal controls and audits, well-defined segregation of duties and reporting lines, detailed operational manuals and standards.

(l) Financial Crime Risk

The failure to identify, report and act on matters related to financial crime and money laundering are referred to as financial crime risk. This risk may lead to financial losses, penalties and loss of reputation. Fraud and money laundering are the two most common crimes seen within the financial services sector.

Mitigants: Accordingly, the Issuer has placed combating financial crime and associated compliance requirements high on its corporate agenda. This has led to policies, procedures and systems that proactively identify, alert, assess and monitor the risk of such events.

(m) Financial Reporting Risk

Risk of failing to detect any material misstatement or omission within the Issuer's external financial reporting is termed as financial reporting risk.

Mitigants: The Issuer has a robust and established financial reporting process with adequate internal checks and controls to minimize such risks. The Issuer's internal audit division

independently reviews the internal controls and procedures to mitigate such risks. The key agenda of the audit committee of the Issuer is to ensure best industry practices and high standards of corporate governance with regard to financial reporting.

(n) People Risk

People are the single most important asset in any business but they are also the most vulnerable asset. People risk includes lack of appropriate workforce, unethical behavior of staff, failure to manage performance and rewards, lack of people development opportunities, lack of succession planning and career progress opportunities, failure to comply with labour laws and legislations etc.

Mitigants: The Bank assigns the highest importance to its human resources (HR) and their well-being and allocates considerable resources to provide state-of-the-art working environment that has helped the Bank to be among best employer in Oman. The Bank continuously reviews its HR policies in line with the evolving conditions and provide various facilities such as staff loans, medical care coverage, employee engagement initiatives, etc. The Bank continuously innovates its talent management and succession planning programs. Succession plans are in place for all identified critical roles by ensuring a steady pipeline of Omani employees who are groomed for leadership positions within the Bank.

(o) Compliance Risk

Compliance risk is the failure to comply with applicable laws and regulations imposed by the various governing authorities and regulators where the Issuer operates. Failure to comply with regulations may lead not only to penalties and financial losses but are also detrimental to the reputation and long term prosperity of any organization.

Mitigants: The Issuer's management is primarily responsible to manage the compliance risks that the Bank is exposed to and is supported by the compliance department in discharging this duty within the various business units. The Issuer has a strong compliance department and its compliance officer has a direct reporting line to the Board and has a dotted reporting line to the chief executive officer.

(p) Technology Risk

Banks and financial institutions have been embracing technological transformation, especially with the drive towards automation of processes, fierce competition among banks to provide more online channels to customers and digitalization of financial institutions. Technology permeates the operations of the entire organization and enables processes that the Bank uses to develop, deliver, and manage its products, services, and support operations. Technology risk can occur due to the choice of faulty or unsuitable technology or adoption of untested or obsolete technology and this remain as one of the key risk because of heavy reliance on technology.

Mitigants: The Bank ensures smooth business growth by identifying and adapting to the fast changing technological environment. The Bank has two management level committees to manage technology risk:

- An Information Technology Steering Committee to oversee the strategic direction of information technology within the Bank as well as effective implementation of the determined security controls;
- A Protective Services Steering Committee supervises the robustness of the Bank's security and business continuity plans including IT – Disaster Recovery Systems.

(q) Reputational Risk

Reputational risk is defined as the current and potential risk of incurring an economic loss or a capital shortfall or risk to earnings or litigation due to negative opinion of the Bank's image by its main stakeholder groups - i.e. customers, regulators, shareholders, employees and consumers, resulting from loss of reputation or public trust and standing.

Strong corporate reputation is an invaluable asset to any organization and if ever diminished, it's the most difficult asset to restore among all the other assets of the organization. Reputation has a vital impact on the long-term prosperity of the organization. A deteriorating reputation can have a very adverse impact on business growth, earnings, capital raising and day to day management. This risk often exposes the organisation to litigation and financial losses. The exposure to reputation risk is always present and hence this necessitates the responsibility of every employee to exercise an abundance of caution in dealing with customers and the community at large.

The Bank aspires to maintain highest ethical standards in all its business dealings in order to safeguard its reputation. The Bank recognizes that the responsibility for reputation risk must permeate across all levels of the Bank and continuously takes steps to reinforce this message across the organization. Following are the key components of reputation risk management framework:

- The Bank Product Approval Committee ensures that its products comply with the relevant regulations in geographies where it operates.
- The Bank has a Disclosure Committee that ensures that all key developments that have a bearing on investor's confidence are reported promptly and effectively to the regulatory agencies and the public at large. The Bank ensures that it remains in full compliance with all its disclosure obligations. It has framed and adopted for itself a framework in line with the highest standards of Corporate Governance and strongly focuses on integrity.
- The Bank's Corporate Communication department has been entrusted with the responsibility to measure, monitor and continuously improve the Bank's brand image. It is also responsible for continuous monitoring of threats to the reputation of the Bank.
- The Bank continues to invest in the development of its people through training, to ensure fair dealing with customers and society.
- To encourage ethical practices, the Bank has a Whistleblower Protection policy which covers all areas of dealings with customers, colleagues and others, including suppliers and contractors.
- The Bank has a Corporate Social Responsibility (CSR) department that plays an active role in creating awareness for environment protection within the Bank. It has been involved in several social service projects during the year demonstrating the Bank's commitment to the community it serves.
- The Bank has a Business Continuity Plan (BCP) in place to take care of uncertainties, which is tested and updated regularly to take care of external uncertainties.
- The Bank enforces strong and consistent controls relating to governance, business compliance and legal compliance.
- In order to enhance its reputation, the Bank has defined its vision and values so as to create a positive working culture. It has also defined the customer rights so as to protect and be fair to its customers.

Mitigants: The Bank has developed a quantitative framework for measuring reputational risk. The framework incorporates various risks indicators to arrive at the Reputational risk score for the Bank. The framework is useful both as ex ante (e.g. an early warning system and pre-emptive management action) and ex post (mitigation actions). The framework also helps the Bank understand its strengths, weaknesses and the evolving trends that impacts its Reputation risk.

(r) Environment and Social Risk

Environmental risk means the risk of causing pollution or destruction of the natural environment (land, water, air, natural habitats, and animal and plant species), either through accidental or deliberate actions. Social risk is the risk of a customer not meeting acceptable standards for employment and business ethics, within his own business or by his actions.

Mitigants: The Bank is committed and has always been proactive to deliver value to the economy, environment and society. To achieve this, a sustainability framework has been designed and a Sustainability committee is in place to ensure implementation of CSR and Sustainability projects. The Bank has invested in training of officers in STEP (Sustainability Training and e-learning Program). Moreover, a set of Corporate Values and Customer Rights have been identified for which staff receive training and periodic awareness campaigns are conducted.

(s) Social Media Risk

The growing popularity of social media and digital technologies has brought in new opportunities together with new risks. The Bank fully recognizes and appreciates the importance of the social media in marketing of new products, engaging with customers and in shaping public opinion about the Bank and its products and services, but at the same time fully recognizes the risks.

Social media risk is the risk of failing to monitor, protect and manage the Bank's reputation, brand, products, services, customers and employees across social media space. However, due to the dynamic and unregulated nature of the medium, risks in social media are multiple and will remain in the foreseeable future.

Mitigants: To avert these multiple risks and to manage the Bank's brand presence within social and digital media space, the Bank established the Social and Digital Media Unit which developed a Board approved Social Media Policy and guidelines. The Social Media and Digital Media Unit activities includes managing social media accounts, promoting and monitoring guidelines on social media usage, working closely with the customer service department to monitor social media space for proactive customer management, and ensure 24/7 crisis management. The Bank has also established a customer service team within the Contact Centre to address customer queries on social media (Twitter, Facebook, Instagram, WhatsApp and others).

(t) Business Continuity Risks

The Bank's business may be affected by natural disasters and accidents such as fire, which may result in interruption of business, loss of property, records and information. Any interruption or threat, real or perceived, to the Information Technology (IT) system of the Bank could significantly impact its operations. These could have substantial adverse impact on the financial position of the Bank.

Mitigants: The Bank has put in place Business Continuity Plans (BCP) for each critical department as well as every branch to ensure that its business runs effectively in the event of most unforeseen disasters as required by the CBO Business Continuity Guidelines, the Basel Committee Joint Forum High-level principles for business continuity and international business continuity standards.

(u) Critical Accounting Estimates

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Mitigants: The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(v) Shariah specific risks:

The Islamic financial model works on the basis of risk sharing. The customer and the Islamic bank share the risk of any investment on agreed terms, and divide profits between themselves.

The Issuer's Meethaq operations is subject to risks arising from the adoption of an Islamic financing model. One such risk arises owing to variance in market practices in respect of the same type of contracts from jurisdiction to jurisdiction. Risk also arises from the consequences of the Issuer failing (or being perceived to fail) to comply with Shariah rules and principles determined by the Shariah Board or the relevant body in the jurisdiction. Reputational risk may arise from diversity of opinion amongst various Shariah scholars as to whether particular practices or products are Shariah compliant. Further, Shariah compliance is an ongoing process, requiring ongoing monitoring of compliance of products and services offered.

Mitigants: The Issuer has adopted rules and procedures to ensure that products offered to customers and investors are periodically reviewed and approved by the Shariah board. The Issuer has established a Shariah compliance unit, which liaises between business representatives and the Shariah Board to ensure compliance with Shariah rules after consultation with Shariah scholars. Towards this the Issuer has already appointed scholars with credibility and proven track record to the Shariah board. The Issuer has also recruited an executive cadre comprising people with experience and put in place appropriate programs to provide such personnel appropriate training that can meet the requirements of the new business.

(w) Deposit and borrower concentrations

Although the Bank considers that it has adequate access to sources of funding, the withdrawal of a significant portion of large deposits could have a material adverse effect on its business, results of operation and financial condition, as well as their ability to meet the CBO regulations relating to liquidity. Any such withdrawal may require the Bank to seek additional sources of funding (whether in the form of deposits or wholesale funding), which may not be available to the Bank on commercially acceptable terms or at all. Any failure to obtain any replacement funding may negatively impact the Bank's ability to maintain or grow its loan portfolio or otherwise increase its overall cost of funding, any of which could have a material adverse effect on its business, results of operation and financial condition.

A significant default by one or more of the Bank's large corporate borrowers could have an adverse effect on the Bank's business, financial condition, results of operations or prospects. Retail customer portfolios are strongly linked to the economic conditions in Oman, with

changes in employment levels and interest rates among the factors that may impact retail credit exposures.

A downturn in the financial position of any of the Bank's depositors or borrowers could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects, and thereby affect its ability to perform its obligations in respect of the Bonds.

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

RISK FACTORS RELATING TO THE ISSUE

(a) 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.

Mitigants: 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, as the case may be, a material amount of their investment in the Bonds. Investors should also be aware that the application of a non-viability loss absorption feature (such as Write-down at the Point of Non-Viability) has not been tested in Oman and therefore some degree of uncertainty may exist in its application.

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

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

Prospective investors should note that the payment obligations of the Bank under the Conditions (the "Obligations") are subordinated to the Senior Obligations (as defined in the Conditions), rank pari passu with the Pari Passu Obligations (as defined in the Conditions) and rank in priority only to all Junior Obligations (as defined in the Conditions). Accordingly, the payment obligations of the Bank under the Conditions rank junior to all depositors, general creditors, holders of the subordinated debt/ bonds/ sukuk of the Bank, all unsubordinated payment obligations of the Bank in respect of their due claims and all subordinated payment obligations of the Bank, to which such payment obligations rank, or are expressed to rank, junior. Further, the payment obligations of the Bank under the Conditions (which include obligations relating to the repayment of principal amounts and/or the payment of interest amounts) are neither secured nor guaranteed by any entity and are not subject to any other arrangement that legally or economically enhances the seniority of the claims of 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, 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 6.6.2 (Non-Payment Election), in the event of a Non-Payment Election, the Bank may not make payment of an Interest Payment Amount to 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.

(c) Redemption Risk

The Bonds are subordinated and unsecured obligations of the Bank and are perpetual subordinated securities which have no fixed or final Redemption date. Bondholders have no ability to require the Bank to redeem their Bonds unless an Event of Default (as defined) occurs. The Bank has the option to redeem the Bonds in certain circumstances, although there is no assurance that it will do so. Further, payments of interest are conditional upon certain events and may be cancelled and are noncumulative. The 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 year thereafter).

(d) Risk of Modifications

The Conditions contain provisions for calling meetings of the Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all the Bondholders including the Bondholders who did not attend and vote at the relevant meeting and the Bondholders who voted in a manner contrary to the majority. The Conditions also provide that the Agent and the Bank may agree, without the consent of the Bondholders, to any modification of any Bonds, in the circumstances specified in Condition 6.20 (Meetings of the Bondholders, Modification and Waiver).

(e) Lack of Trading

Subsequent to their listing on the MSX, the secondary market for the perpetual bonds might not be very liquid. 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.

Furthermore, the MCD may halt trading in the Bonds, from Interest Payment Record Date to the Interest Payment Date, to facilitate interest payment.

(f) 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

RISK FACTORS RELATING TO THE MARKET IN WHICH THE BANK OPERATES

(a) Economic Risk

The global as well as Oman's economic performance has a direct impact on the Bank's performance. Any change in the economic environment could have an impact on the Bank's operations and performance. Furthermore, any future credit rating downgrade of Oman may result in increased cost of borrowing or may limit the Issuer's ability to raise further capital at low costs which in turn could have a material adverse effect on its business, financial condition, results of operations or prospects.

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

(b) Change in Laws, Regulations and Rules

The Bank's functioning is supervised by the CBO, CMA and MOCIIP. Any change in the prevailing policies and regulations and/or the Laws of Oman could impact the Bank's performance. Further, any changes to the applicable laws or regulations including the regulations relating to capital adequacy, Basel regulatory framework and perpetual subordinated bond instruments could impact the value of the Bonds.

Mitigants: The Bank does not currently anticipate any radical changes in the regulations, therefore, the impact of such changes remain limited. Furthermore, the Bank has a well-experienced management team to appropriately respond to any such developments.

(c) Default by Bank's Clients and Counterparties

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

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

4. Objects and approvals

4.1 OVERVIEW

The Bank was established in 1982 as an Oman Overseas Trust Bank Ltd. In 1987 it was renamed as Bank Muscat.

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

The main shareholders of the Bank in excess of 10% shareholding are:

- Royal Court Affairs
- Dubai Financial Group LLC

Presently, as at 30 June 2022, the Bank has a total of 174 Branches and Service Centers in Oman. The Bank's total e-channel base crossed more than 800 touchpoints including 497 Automated Teller Machines (ATMs), 135 Cash Deposit Machines (CDMs), and 178 Full Function Machines (FFMs). Further, bank also has more touchpoints in the form of Business Cash Deposit Machines (BCDMs), Statement Printers, and Mobile ATMs / FFMs, as part of its efforts for greater financial inclusivity. The Bank also has international branches in Saudi Arabia and Kuwait. As of 30 June 2022, the Bank's total assets stood at R.O. 12.9 billion (USD 33.4 billion) and net worth of R.O. 2.1 billion (USD 5.5 billion).

The Bank has credit ratings from three international rating agencies, with long-term foreign currency ratings of:

- Ba3 with positive outlook from Moody's;
- BB- with stable outlook from S&P; and
- BB with stable outlook from Fitch.

4.2 OBJECTS OF THE BANK

The Bank is authorized to practice all commercial and investment banking activities in accordance with the license granted to it by the CBO according to the provisions of the Banking Law No. (114/2000) and its amendments, including financing the projects and carrying out researches, surveys and activities whether for its account or others' accounts, all the complementary and activities related to its business required by the banking or financial activity, including acquisition of any right in fixed assets and real estate, whether as an owner or others and the assignment of such rights, taking into consideration the provisions of Banking Law, including but not limited to the following:

- i. Open current accounts, savings accounts and term deposits;
- ii. Accepting deposits of all kinds and issuing deposit receipts;
- iii. Money exchange, foreign exchange and precious metals trading;
- iv. Dealing in financial markets by receiving and re-investing money;
- v. Opening and supporting documentary credits on behalf of others and carrying out relevant collection work;
- vi. Issuance of banking guarantees of all types and forms;

- vii. Issuance and exchange of bank acceptances;
- viii. Act as financial agent for others;
- ix. Granting advances and banking facilities with or without personal or in-kind guarantee;
- x. Granting loans and financing directly or in cooperation with others;
- xi. Arrange and participate in international loans;
- xii. Arrange and guarantee the issuance promotion and marketing of bonds, shares and stocks
- xiii. Searching and evaluating for investment opportunities with the intention of direct investment in them or financing them in various sectors of economic activities;
- xiv. Promote and contribute in industrial agricultural, commercial business projects, or any other projects;
- xv. Arranging mergers and annexations between existing companies;
- xvi. Investment and trading in the shares of joint stock companies listed/unlisted in the financial markets;
- xvii. Incorporation of specialized companies or establishments whether they are fully or partially owned by the bank. The Bank may also acquire existing banks and companies and partly contribute to them, subject to the provisions of Article (65) of the Banking Law;
- xviii. Acquire an interest at bodies that perform similar activities to the Bank's business or assist in achieving its purposes in/outside the Sultanate of Oman and participate, merge or join in any way with the aforementioned bodies; and
- xix. Practicing Islamic banking in accordance with the provisions of Islamic Sharia Law by creating a window offering Islamic banking.

In general, the Bank may carry out all the activities necessary to achieve its related and complementary purposes without limitation but in accordance with the laws in force in Oman or the Bank's Articles of Association or what is decided by the General Meeting.

The above mentioned objects are subject to applicable laws and regulations.

4.3 LICENSES AND APPROVALS

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

Authority	Purpose of License/ License No.	Issue Date	Expiry Date
MOCIIP	Commercial Registration C.R. No 1145738	6 November 1982	19/10/2027
CBO	Banking License	Renewed on 11 October 2018	Ongoing
CMA	License to undertake following activities: <ul style="list-style-type: none"> • Investment Manager; • Portfolio Management; • Investment advice and research; • Issue Management; • Custodian; and • Marketing non-Omani Securities. • The registration number of the license is CMI018 	Renewed on 13 February 2022	31 December 2024

4.4 CHANGES IN SHARE CAPITAL DURING 2016-2022

Year	Share Capital (opening) RO '000	Bonus Shares RO 000s	Conversion of MCBs RO '000	Share Capital (closing) RO '000
2016	229,183	11,458	8,984	249,625
2017	249,625	12,482	8,829	270,936
2018	270,936	13,547	10,258	294,741
2019	294,741	14,737	-	309,478
2020	309,478	15,474	-	324,952
2021	324,952	32,496	-	357,448
2022	357,448	17,872	-	375,320*

* as at 30 June, 2022

5. Purpose of the issue and issue expenses

5.1 PURPOSE OF THE ISSUE

The purpose of the Issue is to optimize the Bank's capital structure. The Bank shall not receive any funds from the Issue.

5.2 ESTIMATED ISSUE EXPENSES

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

Details	Expense (RO)
Issue Management Fees	375,320
Legal Advisor Fee	12,700
MCD Fee	99,064
CMA Fees	2,100
Printing of prospectus, forms, etc.	4,000
Miscellaneous Expenses /Contingency	5,000
Total estimated issue expenses	498,184

6. Terms and conditions of the bond issue ("the conditions" or "condition")

6.1 THE ISSUE

The Bonds will be issued by the Bank which is incorporated and registered as a Company in the Commercial Register maintained by the MOCIIP (C.R. No. 1145738) and as a commercial bank in Oman. The Issue is governed and has been made pursuant to the Articles of Association of the Bank, the regulations of the Central Bank of Oman and the Laws of Oman.

6.2 NOMINAL VALUE & ISSUE PRICE

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

6.3 ALLOTMENT OF BONDS

Each eligible Shareholder will receive a direct credit of such Bonds entitlement in his/ her/ its MCD account.

The allotment of Bonds will be handled by the MCD using its proprietary systems and procedures.

6.4 STATUS, SUBORDINATION

6.4.1 STATUS OF THE BONDS

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

6.4.2 SUBORDINATION OF THE BONDS

- (a) The payment obligations of the Bank under the Bonds (the "Obligations") will:
- i. constitute Additional Tier 1 Capital of the Bank;
 - ii. constitute direct, unsecured, unconditional and subordinated obligations of the Bank that rank pari passu amongst themselves;
 - iii. rank junior to all Senior Obligations;
 - iv. rank pari passu with all Pari Passu Obligations; and
 - v. rank in priority only to all Junior Obligations.
- (b) Subject to applicable law (Banking Law and Commercial Companies 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 neither be 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 (including deposit holders, general creditors and holders of subordinated debt/ bonds/ sukuk of the Bank, all unsubordinated payment obligations of the Bank and other subordinated payment obligations of the Bank, to which the Obligations rank, or are expressed to rank, junior).

6.5 INTEREST

6.5.1 INTEREST PAYMENTS

Subject to Condition 6.6 (Interest Restrictions), the Bonds bear interest from (and including) the Issue Date to (but excluding) the First Call Date at a rate of 4.25 % per annum (the "Initial Interest Rate") on the outstanding principal amount of the Bonds in accordance with the provisions of this Condition 6.5.

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

Subject to Condition 6.6 (Interest Restrictions), interest shall be payable on the Bonds semi-annually in arrears on each Interest Payment Date, in each case as provided in this Condition 6.5. Interest will not be cumulative and any interest which is not paid will not accumulate or compound and 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 as an amount equal to the product of:

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

(a) Interest Rate

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

The Bank will, as soon as practicable upon determination of the Reset Reference Rate notify the Bondholders in accordance with Condition 6.13 (Notices).

6.6 INTEREST RESTRICTIONS

6.6.1 NON-PAYMENT EVENT

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

- (a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Bank on any Pari Passu Obligations, having the same dates in respect of payment of such distributions or amounts as, or otherwise due and payable on, the dates for payment of Interest Payment Amounts, exceed, on the relevant date for payment of such Interest Payment Amounts, Distributable Items;
- (b) the Bank is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of capital buffers imposed on the Bank by the CBO) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof; or
- (c) the CBO determines that the Interest Payment Amount due on that Interest Payment Date shall not be paid.

6.6.2 NON-PAYMENT ELECTION

Notwithstanding Condition 6.6.1 (Interest Payments), the Bank may in its sole discretion elect that Interest Payment Amounts shall not be paid to the Bondholders on any Interest Payment Date (each a “**Non-Payment Election**”).

For the avoidance of doubt, the Bank will have the right to otherwise use any Interest Payment Amounts not paid to the Bondholders and such non-payment will not impose any restriction on the Bank.

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

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

- (a) in the case of a Non-Payment Election, 10 Business Days prior to such event, and
- (b) in the case of a Non-Payment Event, as soon as practicable thereafter but in any event no later than one Business Day prior to the relevant Interest Payment Date,

give notice to the Bondholders and the Agent in accordance with Condition 6.13 (Notices) in each case providing details of the Non-Payment Election or Non-Payment Event (as the case may be). 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. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such Non-Payment Election or a Non-Payment Event, or give the Bondholders any rights as a result of such failure.

6.7 PAYMENTS

6.7.1 PAYMENTS IN RESPECT OF THE BONDS

Interest payments in respect of the Bonds will be made in Omani Rials, on the Interest Payment Date, to the Bondholder appearing in the Bondholders’ Register as per MCD, on the Interest Payment Record Date. Such payments will be made by electronic transfer to the Bondholder’s bank account, as registered with MCD and will be made by the Paying Agent.

Payments of principal (if any) in respect of the Bonds will be made in Omani Rials to the Bondholder appearing in the Bondholders’ Register as per MCD, on the Principal Payment Record Date. Such payments will be made by electronic transfer to the Bondholder’s bank account, as registered with MCD and provided to the Bank by MCD.

6.7.2 PAYMENTS SUBJECT TO LAWS

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

6.7.3 PAYMENT DAY

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

6.8 REDEMPTION

(a) No Fixed Redemption Date

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

(b) Bank's Call Option

The Bank may, by giving not less than 30 Business Days prior written notice to the Bondholders and to the Agent and the Registrar, in accordance with Condition 6.13 (Notices) (which notices shall be irrevocable and specify the date fixed for Redemption) redeem the Bonds (either in full or in part in multiples of 100 Bzs per Bond).

The Bank shall not exercise the Call Option unless:

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

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

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

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

6.9 WRITE-DOWN AT THE POINT OF NON-VIABILITY

6.9.1 NON-VIABILITY EVENT

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

In such circumstances, the rights of the Bondholders to payment of any amounts under or in respect of the Bonds shall, as the case may be, be cancelled or written down permanently pro rata among the Bondholders.

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

- (a) the CBO having notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without a Write-down; or
- (b) a decision having been taken to make a public sector injection of capital or equivalent support, without which the Bank is, or will become, Non-Viable,

the Bonds shall be permanently written down in whole or in part, as further provided in the definition of "Write-down", as determined by the Bank in conjunction with the CBO in accordance with the Capital Regulations.

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

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

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

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

Any Write-down shall not constitute an Event of Default and it shall not entitle the Bondholders to petition for the insolvency or dissolution of the Bank.

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.

6.9.2 NON-VIABILITY NOTICE

If a Non-Viability Event occurs, on the third Business Day following the occurrence of such Non-Viability Event (or such date as determined by the CBO), the Bank will notify the Bondholders thereof in accordance with Condition 6.13 (Notices) (a "**Non-Viability Notice**"). Following provision of such Non-Viability Notice, a Write-down of the Bonds shall take place on the date specified in the Non-Viability Notice (the "**Non-Viability Event Write-down Date**"), with effect from the Non-Viability Event Write-down 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 CBO in respect of any determination made by it with respect to the occurrence of a Non-Viability Event.

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

Following any Write-down of the Bonds in accordance with this Condition 6.9:

- (a) references in these Conditions to the "principal amount" or "outstanding principal amount" or "Redemption" or "Redemption Amount" of the Bonds shall be construed as referring to the written-down amount;
- (b) the principal amount so written down will be cancelled and interest will continue to accrue only on the outstanding (remaining) principal amount following such cancellation, subject to Conditions 6.6.1 (Non- Payment Event) and 6.6.2 (Non-Payment Election) as described herein; and
- (c) any amounts so written down shall 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, or
- iii. following the exercise of a call option by the Bank pursuant to Condition 6.8(b) (Bank's Call Option).

6.10 EVENT OF DEFAULT

Notwithstanding any of the provisions below in this Condition 6.10, the right to institute winding up proceedings is limited to circumstances where payment on the Bonds has become due. In the case of any payment of interest in respect of the Bonds, such payment may be cancelled pursuant to Condition 6.6 (Interest Restrictions) and, if so cancelled will not be due on the relevant payment date and, in the case of payment of principal, such payment is subject to the conditions set out in Condition 6.8 (b) (Bank's Call Option) being met and if these conditions are not met will not be due on such payment date.

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

To the extent permitted by applicable law and by these Conditions, any 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 6.10, 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.

6.11 TAXATION

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

6.12 PRESCRIPTION

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

6.13 NOTICES

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Bondholders' Register maintained by the Registrar and/or sent to them by electronic means in

accordance with their contact details available with the Registrar. The Bank shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so, published more than once or on different dates, on the date of the first publication. Notices to be given by any Bondholder shall be in writing and given by mailing the same to the Bank at its registered office address.

6.14 REGISTRAR, AGENT & PAYING AGENT

The MCD shall act as the Registrar and Paying Agent with respect to the Bonds and shall also act as the Agent in accordance with the terms of the Declaration of Agency Agreement which has been entered into by and between the Bank and the Agent. The title to the Bonds passes on the recordation of the transfer in the Bondholders' Register maintained by the Registrar. The registered owner of the Bonds (except as otherwise required by the Laws of Oman) will be treated as the absolute owner of the Bonds for all purposes.

6.15 LISTING ON THE MSX

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

6.16 REGISTRATION OF TRANSFERS

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

6.17 TRANSFERABILITY OF BONDS AND RESTRICTIONS ON TRANSFERABILITY

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

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

6.18 VARIATION OF RIGHTS

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

6.18.1 In the event that any term or condition thereof needs to be amended in order to comply with the Laws of Oman, or change in the Laws of Oman, or any regulation of CBO, the CMA, the MSX, or MOCIIP, the Issuer shall be entitled to enforce such change or amendment forthwith, on condition that each Bondholder shall be duly notified of such amendment in accordance with Condition 6.13 (Notices), within 30 days.

6.18.2 Upon the occurrence of a Capital Event or Tax Event, the Issuer shall be entitled to either redeem the Bonds or enforce such change or amendment forthwith, on condition that each Bondholder shall be duly notified of such amendment in accordance with Condition 6.13 (Notices), within 30 days. In the case of:

(a) a Capital Event, solely for the purpose of ensuring compliance with Applicable Regulatory Capital Requirements, vary the terms of the Bonds as that they remain or, as appropriate, become Qualifying Additional Tier 1 Instruments; and

(b) a Tax Event, vary the terms of the Bonds so that they remain or, as appropriate, become, Qualifying Additional Tier 1 Instruments.

Prior to giving any notice of redemption or variation (as the case may be) pursuant to this Condition 6.18, the Bank shall give to the Bondholders' Agent, a certificate signed by two Authorized Signatories of the Bank stating that: (a) a Capital Event, or Tax Event, as the case may be, has occurred (b) written approval from the CBO has been obtained for the variation of the terms of the Bonds.

6.18.3 In the event that the Issuer intends proposing any other amendment or Variation to the terms and conditions attaching to the Bonds, after receipt of prior written CBO approval, it shall call a meeting of Bondholders for such purpose, who shall be entitled to consider, and vote upon such Variation or amendment by way of formal meeting to be held, other than as specifically provided for herein, in accordance with procedures set out in the CCL, MCD Procedures and the Laws of Oman.

6.18.4 In the event of a variation in accordance with Condition 6.18, the Bank will not be obliged to pay or 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 including any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Additional Tier 1 Instruments by such Bondholder.

6.19 MEETINGS OF THE BONDHOLDERS, MODIFICATIONS AND WAIVER

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

6.19.1 A meeting of the Bondholders may be called by the Issuer following a Board resolution ordering such a meeting or by the statutory auditors of the Bank, or by the Bank at the request, in writing, of the Bondholders representing at least 10% of the then outstanding Bonds.

6.19.2 Within 14 days of receipt of such a request, or an authorizing board resolution, the Bank shall, at its cost, issue a notice of meeting of the Bondholders which shall be published on

the Muscat Stock Exchange website and in one newspaper in both Arabic and English, it will also be shared to the bondholders directly through electronic means of communication, in each case, not less than 15 days prior to the appointed date of the meeting. A notice of meeting of the Bondholders shall contain details of the place, date and time of the meeting, accompanied by a description of the agenda of the meeting setting out the main purpose and businesses of the meeting. Such meetings subject to the approval of the concerned authorities may be convened at the MCD's e-portal detail of which may be accessed through MCD website (www.mcd.gov.om).

- 6.19.3** Any Director of the Bank, the secretary of the Bank, or in the absence of aforementioned, a registered Bondholder in person, duly appointed at the meeting, may preside as the Chairman of a meeting of the Bondholders.
- 6.19.4** The resolutions of the Bondholders' general meeting shall not be valid unless such meeting is attended by, personally or by proxy, a number of Bondholders representing at least two thirds of the Bonds outstanding. Failing such quorum, a second meeting shall be convened to discuss the same agenda. The date of the second meeting shall be notified to the Bondholders in the invitation addressed to bondholders at the first meeting, and in the same manner followed with regard to the first meeting at least one week prior to the date set for the second meeting. A quorum representing one-third of the Bonds shall be sufficient for the second meeting, provided such second meeting is held within one month from the date of the first meeting. For the avoidance of doubt, it is clarified that since the Bonds are unsecured, perpetual bonds without a fixed maturity date or step-up features the Bondholders shall not be entitled to vote on resolutions concerning the redemption of the Bonds or interest rate on the Bonds.
- 6.19.5** In all circumstances, voting shall take place by way of a poll, in terms whereof each Bond shall represent 1 (One) vote. Resolutions shall be adopted by a two-thirds majority of the Bonds represented at the meeting through Bondholders present in person or by proxy. Under the CCL a proxy for attending the meeting must be in writing failing which it will not be valid.
- 6.19.6** Notwithstanding any other matters on which a Bondholders' Resolution would be required, Bondholders' Resolution will be required in case of any proposal made by the Issuer to:
- i. modify the dates on which interest is payable in respect of the Bonds
 - ii. reduce or cancel the principal amount or interest on the Bonds or modify the date of payment in respect of the Bonds other than in the manner provided for in this Prospectus
 - iii. change the currency of payment of the Bonds
 - iv. sanction the exchange or substitution of the Bonds for, or the conversion of the Bonds into, notes, debentures, debenture stock or other obligations or securities of the Issuer or any other body corporate formed or to be formed.
- 6.19.7** Notwithstanding the foregoing, a meeting of the Bondholders will be conducted as per the latest rulings, guidelines and circulars from the CMA, and MCD procedures as updated and revised from time to time.
- 6.19.8** The Agent may agree as per the powers vested in it by the Declaration of Agency Agreement without the consent of the Bondholders, in a manner that does not conflict with the provisions of Article (155) of the CCL to (i) any modification of any of the provisions of the Declaration of Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Declaration of

Agency Agreement), and any waiver or authorization of any breach or proposed breach, of any of the provisions of the Declaration of Agency Agreement which does not, in the sole opinion of the Agent materially prejudice the interests of the Bondholders. Any such modification, authorization or waiver shall be binding on the Bondholders and, if the Agent so requires, shall be notified by the Issuer to the Bondholders as soon as is reasonably practicable. In the event that the Issuer fails to notify the Bondholders within a week, the Agent shall be at liberty to notify the Bondholders.

No amendment, modification or termination of any provision of the Declaration of Agency Agreement shall be effective unless it is agreed in writing and signed by the Issuer and the Bondholders' Agent

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

6.20 FURTHER ISSUES

The Bank shall be at liberty from time to time, without the consent of the Bondholders, to make further issues of bonds or any other debt, equity or hybrid (a combination of debt and equity) instrument including debt instruments ranking in priority to or pari-passu (in some or all respects) with the Bonds in accordance with the CBO, CCL and the Laws of Oman.

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

6.21 CORPORATE REORGANIZATION

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

6.22 GENERAL DUTIES AND OBLIGATIONS OF THE BANK TO BONDHOLDERS

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

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

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

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

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

6.23 ENFORCEMENT

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

6.24 OTHER RIGHTS ATTACHING TO THE BONDS

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

6.25 JOINT AND FRACTION HOLDINGS

No joint holdings of a Bond shall be capable of registration, (except in the case of inheritance, provided that the heirs shall be represented by one representative who is selected from among them, failing which they will be represented by the person whose name comes first in the Bondholders' Register and Article 153 of the CCL shall apply). Each Bond shall be registered in the name of a single person or a single legal entity. The Issuer shall not be held responsible for any misappropriation, loss or damage which any person may suffer due to a loss arising from a holding which is, directly, or indirectly jointly held. No person shall be capable of registering a fraction of a holding of a Bond.

6.26 DOCUMENTS FOR INSPECTION

The Articles, the Declaration of Agency Agreement and the audited financial statements of the Bank shall be available for inspection with the Agent, at the specified offices of the Agent and with the Issuer.

6.27 APPLICABILITY OF THE RULES & REGULATIONS

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

6.28 AGENT

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

6.29 GOVERNING LAW AND JURISDICTION

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

7. Rights and Responsibilities

This summary of the rights and responsibilities of the Bondholders' Agent and of the rights of Bondholders is subject to Section 6 (Terms and Conditions of the Bonds) and, in the event of any conflict between this Section 7 and Section 6, Section 6 shall prevail.

7.1 BONDHOLDERS' AGENT

MCD shall act as the Bondholders' Agent with respect to the Bonds in accordance with the terms of the Declaration of Agency Agreement which shall be entered into by and between the Bank and the Bondholders' Agent. The Bondholders' Agent will be the representative of the Bondholders for the purposes of the CCL.

This Section 7.1 sets out certain of the key rights and responsibilities of the Bondholders' Agent.

The Bondholders' Agent shall also act upon any reasonable request of Bondholders, the auditors of the Issuer, the MOCIP, CBO, MSX, CMA, or the Issuer itself, who may alert the Bondholders' Agent 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.

7.1.1 Responsibilities and Duties of the Bondholders' Agent under CMA Decision No. 1/2009

The duties of the Bondholders' Agent pursuant to Article 27 of CMA Decision No. 1/2009 (as amended) include:

- (a) Calling for periodical reports from the Issuer and inspecting its books of accounts, records, registers, assets, and the documents and reports relating to the credit rating of the Issuer.
- (b) Ensuring that interest due on the Bonds has been paid to the Bondholders on the relevant interest due dates, on and subject to the terms of this Prospectus.
- (c) Monitoring the Issuer's adherence to the terms and conditions of the Issue and assessing whether or not the Issuer is able to discharge the claims of Bondholders as and when they become due.
- (d) Ascertaining that the Bonds have been redeemed in accordance with the terms & conditions of the Issue.
- (e) Calling or causing to be called, the general meeting of Bondholders on any event which may affect the interest of the Bondholders or on a requisition by one or more Bondholders who own at least 10% of the total issued Bonds pursuant to Articles 156 and 158 of the CCL.
- (f) Ascertaining that the funds raised through the issue of the Bonds are utilized in accordance with this Prospectus.
- (g) Carrying out such other acts as necessary for the protection of the interests of the Bondholders.

The Securities Law envisages that new executive regulations will be issued thereunder, and the duties of the Bondholders' Agent under CMA Decision No. 1/2009 (as amended) may from time to time be amended, supplemented or replaced in accordance with the Securities Law and any executive regulations issued from time to time thereunder.

7.1.2 Responsibilities and Duties of the Bondholders' Agent under the Declaration of Agency

The duties of the Bondholders' Agent under the Declaration of Agency Agreement include but are not limited to the following:

- (a) Acting as agent for and on behalf of the Bondholders for the purposes of Article 27 of CMA Decision No. 1/2009 (as amended).
- (b) Upon becoming aware thereof, monitoring material contracts, events, actions and announcements (including publication of annual financial statements) entered into or announced by the Issuer from time to time, to the extent so required under the Declaration of Agency.
- (c) Upon becoming aware of the occurrence of an Event of Default in respect of any Bonds and subject as provided in the Conditions: (a) promptly notifying the Bondholders of the occurrence of such Event of Default with a request to such Bondholders to indicate if they wish the Bonds to be redeemed; and (b) if so directed or requested by the Bondholders in accordance with the Declaration of Agency Agreement, taking all such actions, steps or proceedings as are necessary to enforce the obligations of the Issuer (in whatever capacity it is acting) under the Declaration of Agency Agreement.
- (d) Overseeing that the Bank complies with the Conditions and the terms of the Declaration of Agency Agreement.
- (e) Monitoring and approving notices from the Issuer to the Bondholders.

7.1.3 Rights and Powers of the Bondholders' Agent

The Bondholders' Agent powers under the Declaration of Agency Agreement include but are not limited to the following:

- (a) The Bondholders' Agent is not bound to give notice to any person of the execution of the Declaration of Agency Agreement or to take any steps to ascertain whether any Event of Default or potential Event of Default has occurred and, until it has actual or constructive knowledge to the contrary, the Bondholders' Agent is entitled to assume that no such event has occurred and that the Issuer is observing and performing all of its obligations under the Conditions.
- (b) The Bondholders' Agent may determine whether or not an Event of Default, a potential Event of Default or any other default in the performance by the Issuer of any obligation under the provisions of the Declaration of Agency Agreement or contained in the Bonds or the Conditions has occurred, in which case, it shall request instructions from Bondholders. Any such determination, in the absence of manifest or proven error, shall be conclusive and binding on the Issuer and the Bondholders provided that the Bondholders' Agent has exercised reasonable care and diligence in making such determination. The Bondholders' Agent shall promptly, following it making a determination that such event has occurred, give notice of such occurrence to the Bondholders in accordance with the Conditions.
- (c) The Bondholders' Agent shall not be liable to any person by reason of having acted upon any written resolutions purporting to have been passed at any meeting of Bondholders in respect whereof minutes have been made and signed or any direction or request of Bondholders even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting or the passing of the resolution or it was not approved by the requisite number of Bondholders or that for any reason the resolution, direction or request was not valid or binding upon such Bondholders.

- (d) The Bondholders' Agent may call for and may accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing a certificate signed by an authorised person of the Issuer and the Bondholders' Agent shall not be bound in any such case to call for further evidence or be responsible for any liability that may be occasioned by it or any other person acting or relying on such certificate.
- (e) The Issuer and the Bondholders' Agent may hold the Declaration of Agency Agreement and any other documents relating thereto or the Bonds and deposit them in any part of the world with any banker or banking company or company whose business includes undertaking the safe custody of documents or with any lawyer or firm of lawyers considered by the Issuer or the Bondholders' Agent, as to the case may be, to be of good repute.
- (f) Neither the Issuer nor the Bondholders' Agent shall (unless and to the extent required to do so by law or ordered to do so by the CMA or a court of competent jurisdiction or, in the case of the Issuer only, unless and to the extent required to do so by applicable listing requirements) be required to disclose to any Bondholder or any other person any information (including, without limitation, information of a confidential, financial or price sensitive nature) made available by the Issuer or any other person in connection with the Declaration of Agency Agreement and no Bondholder shall be entitled to take any action to obtain from the Issuer or the Bondholders' Agent any such information.
- (g) The Bondholders' Agent, as between itself, the Issuer and the Bondholders, may determine all questions and doubts arising in relation to any of the provisions of the Declaration of Agency Agreement and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Bondholders' Agent, shall be conclusive and shall bind the Bondholders' Agent, the Issuer and the Bondholders provided that the Bondholders' Agent has exercised reasonable care and diligence in making such determination.
- (h) The Bondholders' Agent may, in the conduct of its duties and powers in relation to the Declaration of Agency Agreement, instead of acting personally, employ and pay any duly qualified agent (whether being a lawyer or other professional person) to transact or conduct, or concur in transacting or conducting, any business and to do, or concur in doing, all acts required to be done in connection with the Declaration of Agency Agreement (including the receipt and payment of money).
- (i) The Bondholders' Agent may act and rely on any certificate, report, opinion or advice of or any information obtained from any lawyer, valuer, banker, broker, accountant or other expert appointed by the Issuer, the Bondholders, the Bondholders' Agent or otherwise and will not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.

The description above is not exhaustive and is qualified by the more detailed terms set out in the Declaration of Agency Agreement. The powers granted to the Bondholders' Agent pursuant to the Declaration of Agency Agreement are additional to any other powers conferred on the Bondholders' Agent by the Laws of Oman.

7.2 BONDHOLDER'S RIGHTS

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

- (a) The right to receive principal and interest payable on the Bonds subject to and in accordance with this Prospectus;
- (b) The right to dispose of or transfer the Bonds subject to and in accordance with this Prospectus and the Laws of Oman;
- (c) In the event of the liquidation of the Bank, the right to claim any amounts outstanding under the Bonds which is in priority only to claims of the holders of Ordinary Shares and Junior Obligations of the Bank, in accordance with article 156 of CCL;
- (d) The right to participate in Bondholders' meetings and to vote at such meetings in accordance with the Declaration of Agency Agreement (see Section 5.11) and the CCL;
- (e) The right to inspect the Bondholders' Register in accordance with Article 157 of the CCL.

The Bondholders shall have no right to participate in any other meetings of the Bank.

8. Related Party Transactions

In the ordinary course of business, the Issuer conducts transactions with certain of its directors, shareholders, senior management and companies in which they have a significant interest. The Issuer engages in transactions with related parties only on arm's length terms and in accordance with relevant laws and regulations. Terms of these transactions are approved by the Bank's Board and Management. For more details on the related party transactions, refer to the full historical financial statements of the Bank available on the MSX website at www.msx.gov.om or the Bank's website at www.bankmuscat.com

9. Financial Highlights

The summary historical financial statements for the years ended December 31, 2017 to December 31, 2021 as extracted from the Bank's audited financial statements are provided below. For the full historical financial statements of the Bank including financial statements for the six-month period ended June 30, 2022, please visit the MSX website at www.msx.gov.om or the Bank's website at www.bankmuscat.com

Balance Sheet

Amounts in RO 000's	As on 31 December,				
	2021	2020	2019	2018	2017
ASSETS					
Cash and balances with Central Bank	1,047,224	656,898	781,755	1,306,756	934,745
Due from banks	765,151	574,786	869,804	476,043	592,026
Loans and advances	7,830,398	7,731,286	7,712,193	7,828,485	7,358,603
Islamic financing receivables	1,361,019	1,251,369	1,165,848	1,110,430	970,113
Investment securities	1,811,496	1,847,349	1,444,832	1,269,582	1,027,176
Investment in associates	8,266	-	-	-	-
Other assets	174,797	320,688	236,694	227,242	194,440
Property, equipment and software	74,187	71,389	79,482	69,501	72,119
Total Assets	13,072,538	12,453,765	12,290,608	12,288,039	11,149,222
Liabilities and Shareholders' Funds					
Liabilities					
Deposits from banks	1,218,465	939,621	1,173,479	951,878	910,125
Customers' deposits	7,604,051	7,428,737	7,011,266	7,504,219	6,459,410
Islamic customers' deposits	1,170,555	1,029,768	1,032,400	958,466	959,902
Sukuk	90,600	90,600	90,205	44,608	44,608
Euro medium term notes	390,379	390,570	385,410	385,000	384,508
Mandatory convertible bonds	-	-	-	-	32,416
Other liabilities	394,713	469,802	521,864	433,349	375,646
Taxation	52,931	47,821	47,168	43,507	42,914
Subordinated liabilities	-	13,198	26,180	39,270	121,360
Total Liabilities	10,921,694	10,410,117	10,287,972	10,360,297	9,330,889
Shareholders' Funds					
Share capital	357,448	324,952	309,478	294,741	270,936
Share premium	531,535	531,535	531,535	531,535	509,377
General reserve	410,258	397,168	384,078	370,988	288,898
Non distributable reserves	126,399	128,668	123,760	121,730	183,272
Cash flow hedge reserve	-	(140)	(34)	437	(186)
Cumulative changes in fair value	2,855	(3,683)	(372)	(5,023)	16,813
Foreign currency translation reserve	(2,498)	(2,407)	(2,296)	(2,068)	(1,323)
Retained earnings	594,847	537,555	526,487	485,402	420,546
Total Equity attributable to the equity holders	2,020,844	1,913,648	1,872,636	1,797,742	1,688,333
Perpetual Tier I capital	130,000	130,000	130,000	130,000	130,000
Total Equity	2,150,844	2,043,648	2,002,636	1,927,742	1,818,333
Total Liabilities & Shareholders' Funds	13,072,538	12,453,765	12,290,608	12,288,039	11,149,222
Contingent liabilities & commitments	1,833,161	1,866,147	2,322,957	2,676,435	2,860,070

Income Statement

Amounts in RO 000's	Year ended 31 December				
	2021	2020	2019	2018	2017
Interest income	444,705	437,772	452,017	420,037	378,298
Interest expense	(143,020)	(143,536)	(161,137)	(143,308)	(121,615)
Net interest income	301,685	294,236	290,880	276,729	256,683
Income from Islamic financing/ investments	77,138	68,263	66,081	58,608	46,097
Distribution to depositors	(43,287)	(40,369)	(39,989)	(31,048)	(21,434)
Net income from Islamic financing	33,851	27,894	26,092	27,560	24,663
Net interest income and income from Islamic financing	335,536	322,130	316,972	304,289	281,346
Other operating income	139,944	134,409	155,199	142,447	154,620
Operating income	475,480	456,539	472,171	446,736	435,966
Operating expenses					
Other operating expenses	(174,154)	(159,602)	(175,262)	(176,984)	(170,857)
Depreciation and amortisation	(17,305)	(20,250)	(20,669)	(13,359)	(13,222)
Total operating expenses	(191,459)	(179,852)	(195,931)	(190,343)	(184,079)
Net Impairment losses on financial assets	(60,217)	(81,038)	(56,127)	(43,242)	(43,279)
Share of results from associates	167	-	-	-	2,438
Profit before taxation	223,971	195,649	220,113	213,151	211,046
Tax expense	(34,346)	(32,291)	(34,563)	(33,518)	(34,228)
Profit for the year	189,625	163,358	185,550	179,633	176,818

Key ratios

Particulars	2021	2020	2019	2018	2017
Operating cost to income	40.3%	39.4%	41.5%	42.6%	42.2%
Return on average assets	1.49%	1.32%	1.51%	1.53%	1.61%
Return on average shareholders funds	10.12%	9.08%	10.73%	10.88%	11.44%
Basic Earnings Per Share (RO)	0.051	0.044	0.055	0.059	0.061
Share price (RO)	0.484	0.394	0.434	0.410	0.394
BIS Capital adequacy ratio	21.3%	20.8%	19.7%	19.2%	18.5%

Financial Statement of the Bank (Unaudited) as of 30 June 2022

Amounts in RO 000's	6 months ending June 2022	6 months ending June 2021	% growth
Loans & advances and Financing, net	9,002,134	9,237,864	(2.6)%
Total assets	12,858,279	12,886,363	(0.2)%
Customers' deposits	8,833,959	8,669,704	1.9%
Equity	2,127,624	2,054,079	3.6%
Operating income	247,693	243,135	1.9%
Operating expenses	(102,705)	(95,115)	8.0%
Profit for the period	99,257	94,645	4.9%

Amounts in RO 000's	6 months ending June 2022	6 months ending June 2021	% growth
Operating cost to income	41.5%	39.1%	234bps
Return on average assets	1.53%	1.49%	4bps
Return on average shareholders' funds	10.4%	10.1%	36bps
BIS Capital adequacy ratio	20.6%	20.3%	26bps

CAPITAL ADEQUACY

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

CBO requires the banks registered in Oman to maintain capital adequacy of 11%. As per the Basel III guidelines issued by CBO, Capital Conservation Buffer shall be 2.50% of the total Risk Weighted Assets which was implemented from 1 January 2014. During the year 2020, as part of the Covid-19 relief measures CBO lowered the Capital Conservation Buffer (CCB) requirement by 50% from 2.5% to 1.25%. The minimum capital adequacy ratio requirement, accordingly was reduced to 12.25% including capital conservation buffer of 1.25% for both the year 2020 and 2021 (31 December 2019: 13.5% including capital conservation buffer of 2.5%).

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

Amounts in RO 000's	2021	2020	2019	2018	2017
Common Equity Tier 1 (CET 1)	1,837,329	1,778,717	1,708,000	1,636,000	1,534,000
Additional Tier 1	130,000	130,000	130,000	130,000	130,000
Tier I capital	1,967,329	1,908,717	1,838,000	1,766,000	1,664,000
Tier II capital	122,264	100,092	91,000	122,000	156,000
Total capital base	2,089,593	2,008,809	1,929,000	1,887,999	1,820,000
Risk weighted assets:					
Credit risk	8,749,691	8,629,906	8,797,000	8,853,000	8,928,000
Market risk	184,024	180,874	152,000	165,000	174,000
Operational risk	875,494	859,066	837,000	800,000	765,000
Total risk weighted assets	9,809,209	9,669,846	9,785,999	9,818,000	9,867,000
Capital ratios					
Core equity tier 1 capital ratio	18.73%	18.39%	17.46%	16.66%	15.55%
Tier 1 capital adequacy ratio	20.06%	19.74%	18.78%	17.98%	16.87%
Total capital adequacy ratio	21.30%	20.77%	19.72%	19.22%	18.45%

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

10. Corporate snapshot and business

10.1 BACKGROUND

The Bank is the largest bank in Oman, with an approximately 34% market share by total deposits and an approximately 33 % market share by total assets as at 30 June 2022, based on CBO data for the total bank market in Oman. The Bank has a customer base of approximately 2.0 million retail customers and more than 7,000 corporate customers and employs over 3,800 people. The Bank offers a wide range of both conventional and, through its Islamic banking window Meethaq, Shari'a-compliant commercial, retail and investment banking products and services. Meethaq's Shari'a Supervisory Board ensures Meethaq's adherence to Shari'a rules and principles.

The Bank engages in banking activities through a network of 174 branches (including 24 Meethaq branches) within Oman and one branch each in Saudi Arabia (Riyadh) and Kuwait. The Bank has representative offices in Dubai, Singapore and Iran.

The Bank's key shareholders include Royal Court Affairs, the investment arm of the Omani government, Dubai Financial Group and major pension funds in Oman.

The Bank has credit ratings from three international rating agencies, with long-term foreign currency ratings of:

- Ba3 with positive outlook from Moody's;
- BB- with stable outlook from S&P; and
- BB with stable outlook from Fitch.

In 2021, the Group generated a net profit of RO 189.6 million and, as at 30 June 2022, the Group had total assets of RO 12.9 billion and total equity of RO 2.1 billion.

10.2 CAPITAL AND STATUS

The Bank is currently incorporated as a SAOG entity with an authorized share capital of the Bank is R.O. 800,000,000 (Eight hundred million Omani Rials). The issued and fully paid-up share capital as of the date of the Prospectus is R.O. 750,639,706.

10.3 SHAREHOLDING

The shareholding pattern of the Bank as of 30 June 2022 is as under:

Name of the Shareholder	Country of incorporation	Shareholding %	Shareholding amount (RO million)
Royal Court Affairs	Oman	23.63	88.7
Dubai Financial Group LLC	UAE	11.77	44.2
Civil Service Employees Pension Fund	Oman	7.87	29.5
Ministry Of Defence Pension Fund	Oman	6.49	24.4
Jabreen International Development Co. S.A.O.C / Ubhar Capital S.A.O.C.	Oman	9.99	37.5
Public Authority for Social Insurance	Oman	6.05	22.7
Muscat Overseas Company	Oman	4.04	15.2

Name of the Shareholder	Country of incorporation	Shareholding %	Shareholding amount (RO million)
Oman International Holding Company S.A.O.C.	Oman	3.65	13.7
Royal Oman Police Pension Fund	Oman	1.94	7.3
Diwan of Royal Court Pension Fund	Oman	1.34	5.0
Oman Investment Authority	Oman	1.29	4.8
Others		21.94	82.3
Total		100	375.3

10.4 BUSINESS

The Group operates through five reporting segments:

- **Corporate banking** group provides a full array of financial and transaction banking products to corporate clients by evaluating their specific business and financial needs, backed by high quality service and relationship management. It caters to both domestic and overseas corporations as well as SMEs operating in Oman through a full offering of corporate banking products, from traditional overdrafts, lending and working capital finance to trade finance, project finance and guarantees. Its customers include companies engaged in activities across all sectors of the economy such as contracting, trading, power, water, telecommunications, oil and gas, petrochemicals, aviation, shipping, airports and ports, real estate and international trading. The corporate banking group comprises several teams of professional relationship experts focused on specific sectors to facilitate specialization and customized product offerings to corporate clients in Oman. The Group prioritizes credit quality and all product offerings are made following a rigorous analysis of the client's risk profile as well as proactive monitoring of credit, market and operational risks.
- **Personal banking** has a customer base of approximately 2.0 million retail customers and the Group believes that it is the leading retail platform in Oman based on its market shares of deposits and loans and has the largest distribution network in Oman.
- **Wholesale banking** comprises four divisions and units: (i) treasury and capital markets; (ii) global financial institutions; (iii) investment banking; (iv) private equity and asset management
- **International banking** provides regional coverage to the Group's customers and leverages the Group's network to benefit each of the individual country operations. As at the date of this Prospectus, the Bank's international network comprise of its two overseas branches in Saudi Arabia and Kuwait and three representative offices in the United Arab Emirates, Singapore and Iran.
- **Islamic banking** activities are provided through its Meethaq Islamic window. Meethaq offers retail banking, corporate and SME banking, corporate finance and advisory, project and structured finance and treasury and asset management products and services in accordance with Shari'a principles.

Operationally, the Group's principal businesses are backed by key support functions, including credit and risk management, legal, audit, compliance, IT, human resources, finance and strategy and operations.

Table below shows asset and profit contribution of each segment for the year ended 31-Dec-21

Segments	Asset contribution	Profit contribution
Corporate banking	<ul style="list-style-type: none"> • OMR 4.3 bn • 33.1% of total assets 	<ul style="list-style-type: none"> • OMR 60.7 mn • 32.0% of total profit
Personal banking	<ul style="list-style-type: none"> • OMR 3.7 bn • 28.1% of total assets 	<ul style="list-style-type: none"> • OMR 64.7 mn • 34.1% of total profit
Wholesale banking	<ul style="list-style-type: none"> • OMR 3.1 bn • 24.0% of total assets 	<ul style="list-style-type: none"> • OMR 55.7 mn • 29.4% of total profit
Meethaq-Islamic banking	<ul style="list-style-type: none"> • OMR 1.6 bn • 12.5% of total assets 	<ul style="list-style-type: none"> • OMR 11.8 mn • 6.2% of total profit
International operations	<ul style="list-style-type: none"> • OMR 0.3 bn • 2.3% of total assets 	<ul style="list-style-type: none"> • OMR (3.3 mn) • (1.7%) of total profit

11 Corporate governance, board, top management

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

11.1 CORPORATE GOVERNANCE

The Board of the Bank is committed to the highest standards of Corporate Governance. The Bank's Board ensures that they meet regularly, provide effective leadership and insights in business and functional matters and monitors the Bank's performance. The Bank is also committed to establishing clearly documented and transparent management processes for policy development, implementation and review, decision making, monitoring, and reporting. The Bank is determined to raising the bar even further so as to set a leading example of the letter and spirit of the Code of Corporate Governance laid out by the CMA and the regulations for Corporate Governance of Banking and Financial Institutions issued by the CBO. This commitment has been reflected with the Bank being awarded Corporate Governance Excellence Awards in the Financial Sector by CMA and winning accolades a number of times from Hawkamah, the Institute for Corporate Governance.

The Bank has prepared its Code of Corporate Governance in compliance with the requirements of the Code of Corporate Governance for Banks in Oman issued by the CMA.

11.2 BANK'S APPROACH TO CORPORATE GOVERNANCE

The Bank attaches considerable importance to the good corporate governance practices and the Board of Directors committed to applying the highest standards of professional competence in all its activities. The Bank follows the guidelines of the Central Bank of Oman, Basel Committee recommendations, Accounting and Auditing Standards and also applies the Executive Regulations that match with the Bank's legal form.

11.3 BANK'S GOVERNANCE FRAMEWORK

The Bank has a well-established framework for good corporate governance which provides a solid basis for an effective relationship between the Bank, its Board of Directors, its shareholders and other interest groups. The general framework for corporate governance ensures equitable treatment for all shareholders, and recognizes the established legal rights of both minority and foreign shareholders.

11.3.1 Role of the Board

General principles:

- i. Policy formulation, supervision of major initiatives, overseeing policy implementation, ensuring compliance with laws and regulations, nurturing proper and ethical behavior, transparency and integrity in stakeholders' reporting;
- ii. Approval of commercial and financial policies and the budget, so as to achieve its objectives and preserve and enhance the interest of its shareholders and other stakeholders;
- iii. Preparation, review and updating of the plans necessary for the accomplishment of the Bank's aims and the performance of its activities, in light of the objectives for which it was incorporated;

- iv. Adoption of the Bank's disclosure procedures, and monitoring their application in accordance with the rules and conditions of the Capital Market Authority and the Central Bank of Oman;
- v. Supervision of the performance of the Executive Management, and ensuring that work is properly attended to, so as to achieve the Bank's aims, in the light of the objectives for which it was incorporated;
- vi. Appointment of the Chief Executive Officer (CEO), appraisal of the performance of the Executive Management mentioned and appraisal of the work carried out by the committees affiliated to the Board; and
- vii. Approval of the financial statements pertaining to the Bank's business and the results of its activities which are submitted to the Board by the Executive Management every three months, so as to disclose its true financial position and performance.

Board Size and Composition

The Board comprises of nine members elected by the Annual General Assembly for a term of three years.

Meetings of the Board

The Board meets formally at least four times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between scheduled meetings.

11.3.2 Board Committees

Currently there are three Board Committees whose powers are governed by the relevant committee's terms of reference, as approved by the Board. The three Board Committees are: Board Risk Committee, Board Audit Committee, Board Nomination and Compensation Committee. Other committees may be established from time to time to consider matters of special importance.

Board Risk Committee

Risk management is the overall responsibility of the Board of Directors and is managed through the Board Risk Committee (BRC). The Board reviews and approves the Bank's risk management strategy and defines the risk appetite of the Bank, which is cascaded down to the various business segments. The Board Risk Committee (BRC) supervises the risk management function and ensures that the Bank achieves its business plans in compliance with the risk appetite set by the Board of Directors. It provides recommendations to the Board on the risk-reward strategy, risk appetite, risk policies, capital management and the framework for managing various risks. Its key responsibilities are as follows:

- i. Engage in the formulation of risk policy covering credit, market, liquidity, operational risks, and protective services with a view to achieve the strategic objectives of the Bank and to ensure these policies are in compliance with the relevant laws and regulations;
- ii. Review risk appetite framework and recommend the same for Board approval;
- iii. Ensures that the Bank maintains a portfolio of high quality assets;
- iv. Oversees risk policy implementation;
- v. Monitor Bank's capital, liquidity, profitability and quality of assets;
- vi. Fosters transparency and integrity in stakeholder reporting; and
- vii. Embrace and spread awareness in risk management practices and risk governance in the Bank.

Board Audit Committee

The primary responsibilities and functions of the Audit Committee are to provide assistance to the Board in fulfilling its responsibilities of monitoring/overseeing the financial reporting process, the adequacy and effectiveness of the systems of internal control, the effectiveness of the audit process and the Bank's process of complying with the relevant laws and regulations. The Audit Committee meets frequently to review the work of the Internal Audit Department, challenge the Bank's management and to assess the overall control environment prevailing in the organization. It reviews the reports presented by Internal Audit and other bodies in its deliberations and offers guidance and direction in the area of audit management, including fraud and related controls.

The Audit Committee reviews on a biannual basis the Audit Committee Charter, Management Control Policy, and Internal Audit Activity Charter, and has approved a Code of Ethics policy for all internal auditors within the department. These are key to reinforce the organizational independence of internal audit and to establish their rules of engagement throughout the Bank. The Audit Committee has adopted a risk-based approach and accordingly reviews and approves the annual Audit Plan on that basis. The Audit Plan contains sufficient flexibility to adapt to new and emerging risks, changing circumstances, business strategy, products and services.

In line with the Executive Regulations and best practices, the Internal Audit department and the Audit Committee commissions an external firm, a global network of professional firms, to perform an External Quality Review (EQR). This review provided an independent assessment of the Bank Internal Audit Department's (IAD) positioning, processes, people and perception in line with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing ("IIA Standards") and IIA's Code of Ethics. This review must be performed at least once every four years. The IIA Quality Assessment scale is Generally Conforms, Partially Conforms, and Does Not Conform. Bank's IAD was rated as 'Generally Conforms' to the Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF) standards and Code of Ethics.

The Audit Committee places high importance on the professional development of all internal audit staff to ensure that they are able to perform their duties to the highest level possible. Adequate financial and other resources are made available to the function and, in particular, to support the attainment of relevant qualifications and certifications in areas such as Accounting, Internal Audit, Fraud, Risk Management, Information Security, Islamic Finance, Compliance and Anti-Money Laundering.

Board Nomination and Compensation Committee

The Board Nomination and Compensation Committee is responsible for:

- i. Leading the process for Board and Management appointments, through the identification and nomination of relevant candidates for Board approval; and
- ii. Setting the principles, parameters and governance framework of the Bank's Performance and Rewards Policy. In 2021, this involved:
 - Succession and Development Plan;
 - An approval of performance-based reward distribution criteria for Management Team members.

11.3.3 The Board of Directors

The current Board of Directors include the following members:

Sr. No.	Name of Director	Position	Status
1)	Sheikh Khalid bin Mustahail bin Ahmed Al Mashani	Chairman	Independent
2)	Sheikh Ahmed bin Hamed bin Hilal Al Sadi	Deputy Chairman	Non- Independent
3)	Mr. Nasser bin Mohamed bin Salim Al Harthy	Director	Independent
4)	Sheikh Said bin Mohamed bin Ahmed Al Harthy	Director	Non-Independent
5)	Sheikh Saud bin Mustahail bin Ahmed Al Mashani	Director	Independent
6)	Mr. Khalid Nasser Al Shamsi	Director	Non-independent
7)	Mr. J.S. George	Director	Independent
8)	Brig. General Saif bin Salim bin Saif Al Harthi	Director	Independent
9)	Dr. Faisal bin Abdullah bin Shaban Al Farsi	Director	Independent

A brief profile of the directors is given below:

Sheikh Khalid bin Mustahail Al Mashani

Sheikh Khalid bin Mustahail Al Mashani is the Chairman of the Board of Directors of the Bank and the Chairman of the Board's Nomination and Compensation Committee. He has a BSc. in Economics from UK. A Master Degree in International Boundary Studies from School of Oriental and African Studies, University of London, UK. He is a Chairman of Dhofar International Development & Investment Holding Co. SAOG and a Director in Al Omaniya Financial Services SAOG and Dhofar Cattle Feed Co. SAOG .

Sheikh Ahmed bin Hamed bin Hilal Al Saadi

Sheikh Ahmed Al Sadi is the Deputy Chairman of the Board of the bank and a member of the Board Risk Committee. He has 33 years of professional experience. He has a Bachelor of Commerce degree from Egypt and a Master of Business Administration degree from Liverpool University of London in the United Kingdom. Sheikh Ahmed is the RCA's Director General of Audit. He is a member of various investment funds' boards of directors.

Mr. Nasser bin Mohamed bin Salim Al Harthy

Mr. Nasser Al Harthi is a Director of the Board in the bank and chairman of the Board Audit Committee. He is a retired Brigadier General. During his Military Service in the Ministry of Defense he assumed several key positions notably Head of Internal Audit, General Manager Organization and Plans, General Manager Administration and Human Resources. He is a Chairman of Oman Investment & Finance Co. SAOG and a Chairman of Dhofar Cattel Feed SAOG and director in Dhofar Insurance SAOG.

Sheikh Said bin Mohamed bin Ahmed Al Harthy

Sheikh Said Al Harthi is a Director of the Bank and a member of the Board Audit Committee. He has a Master of Business Administration from Victoria University, Melbourne/Australia and Bachelor degree in Business Administration (Management), Minor in Computer Information System (CIS) from California State University Stanislaus, USA. He is a Director in Oman National Investments Development Company (Tanmia) and Chairman of Oman Chlorine Co. SAOG.

Sheikh Saud bin Mustahail bin Ahmed Al Mashani

Sheikh Saud Al Mashani is a Director of the Bank and a member of the Board Risk Committee. He has A Master Degree on International Diplomacy from University of East Anglia (UK) in (2015). He is a graduate in Business Management from the Staffordshire University (UK) in 2010. He is Director in Dhofar Cattel Feed SAOG and Dhofar International Development & Investment SAOG.

Mr. Khalid Nasser Al Shamsi

Mr. Khalid Al Shamsi is a Director in the Bank and chairman of the Board Risk Committee and a member of the Board Nomination & Compensation Committee. He has a BSc (Hons) in Accounting, and International Business and is an INSEAD certified director in corporate governance (IDP-c). Mr. Khalid Al Shamsi's experience varies across public and private assets, real estate and alternative investments. He serves on the boards of several publicly listed and private companies.

Mr. J.S. George

Mr. J. S. George is a Director of the bank and member of Board Risk Committee as well as a member of Board Nomination & Compensation Committee. He is an experienced banker with over 40 years of banking experience. He is a Science graduate from Madras University, India and holds an MBA from IMD, Lausanne Switzerland. He is also a Fellow of the Chartered Institute of Bankers, London and an Associate of the Indian Institute of Bankers. He is a Director in Renaissance Services SAOG.

Brig. General Saif bin Salim bin Saif Al Harthi

Brig. General Saif Al Harthi is a Director of the bank and member of the Board Audit Committee. He has Ph.D. in Human Resource Development and its impact on intensive development in the Sultanate of Oman from Egypt as well as fellowships of the International Arab Society of Certified Accountants (ASCA) of Jordan and the National Defense College at Nasser Higher Military Academy in Egypt. He has a Bachelor degree in Military Science from State Of Kansas, USA. He has also completed a number of accounting and finance courses including a Higher Diploma in Account Management from the University of Oxford (1995) UK. He is a Chairman of Al Maha Petroleum Products Marketing Co. SAOG.

Dr. Faisal bin Abdullah bin Shaban Al Farsi

Dr. Faisal bin Abdullah bin Shaban Al Farsi is a Director of the bank since March, 2022 and member of the Board Audit Committee. Dr. Faisal Al Farsi is currently the General Manager of the Public Authority for Social Insurance, a Director of Omani Qatari Telecommunications Company SAOG (Ooredoo Oman) and he has been a board member of several Public Joint Stock Companies. Dr. Faisal Al Farsi holds a Master's Degree in International Business Law and a PhD in Business and Commercial law.

Management

Sheikh Waleed K. Al Hashar

Chief Executive Officer

Sheikh Waleed K. Al Hashar is the Chief Executive Officer of Bank Muscat . He is also a member of the Board of Directors of the College of Banking and Financial Studies, Oman Banks Association, Securities and Investment Company (SICO) B.S.C, Bahrain and a member of the Board of Trustees of Royal Academy of Management. His experience of over 28 years spans Banking as well as the Oil and Gas sectors. Before joining Bank Muscat , he held senior positions in a number of leading corporates including Petroleum Development Oman and HSBC Bank Middle East. Sheikh Waleed K. Al Hashar joined Bank Muscat in 2004 and has since held various senior positions including Group General Manager – Corporate Services and Deputy Chief Executive Officer. He assumed the role of Chief Executive Officer of the Bank in January 2019. He holds a postgraduate diploma in General Management from Harvard Business School as well as a BSc and Masters in Business Administration from California State University in Sacramento, USA.

Mr. Ahmed Faqir Al Balushi

Chief Banking Officer

Mr. Ahmed Faqir Al Balushi is the Chief Banking Officer of the Bank. Prior to becoming the Chief Banking Officer, he served as the Chief Corporate Banking Officer responsible for leading the Corporate Banking Group, comprising of Project & Structured Finance, Large Corporates, Small and Medium Enterprises, Transaction Banking, Public Sector banking, and the two International Branches (KSA & Kuwait). Mr. Ahmed Faqir Al Balushi, started his career with Bank Muscat in October 1994 as an Internal Auditor and with a rich experience spanning over 27 years, has worked across different functions and roles within the Bank including Operations, IT, Human Resources, and Corporate banking. Mr. Ahmed has also served as the Deputy General Manager (DGM) Human Resources Department. Prior to moving back to Oman, he was the Chief Executive Officer (CEO) of Bank Muscat 's International Business based in KSA. Mr. Ahmed is a Fellow member of the Association of Certified Chartered Accountant (ACCA), UK and holds an EMBA from HEC Paris.

Mrs. Sheikha Yousuf Al Farsi

Chief Operating Officer

Mrs. Sheikha Yousuf Al Farsi is the Chief Operating Officer of the Bank. Prior to becoming Chief Operating Officer, she served as Chief Strategy & Corporate Services Officer. Her responsibility covers Strategy Management, Human Resources, Customer Experience, Corporate Communications & CSR, Information Technology Project Management Office, and Credit function. Prior to this role, she served as General Manager - Strategy and Organizational Development and Assistant General Manager- Financial Control and Strategy at Bank Muscat . She received her BSc in Commerce and Economics, majoring in Marketing, from the Sultan Qaboos University in 1999. Mrs. Sheikha Yousuf Al Farsi holds an MSc in Finance from Bayes Business School (formerly known as Cass Business School), City, University of London (2005). She hold a General Management Program Certificate from Harvard Business School, USA and has also completed the Advanced Management Program from INSEAD, France. Before joining the Bank, she worked at the Public Authority for Investment Promotion and Export Development (also known as 'Ithraa') as Acting Director General of Investment Promotion.

Mr. T. Ganesh

Chief Financial Officer

Mr. Ganesh Thangavel is the Chief Financial Officer of the Bank and is responsible for Group Finance and Business Planning, Centralised Procurement, Treasury and Investment Operations. In addition, he is also responsible for Investment Banking, Asset Management businesses and Enterprise Growth of the Bank. Ganesh has a post-qualification experience of 25 years, out of which 23 years have been in the banking industry. He is a qualified Chartered Accountant (ACA) from the Institute of Chartered Accountants of India, Certified Management Accountant (CMA) from the Institute of Management Accountants, USA and Cost Accountant (ICWA) from the Institute of Costs and Works Accountant of India. He also holds a postgraduate diploma in General Management from Harvard Business School.

Mr. Shamzani Md Hussain

General Manager – Meethaq Islamic Banking

Mr. Shamzani has 28 years of banking experience in various roles across Asia Pacific, Middle East and Africa. He has served in a number of international and leading financial institutions which include HSBC, AIG, FGB and FAB. Mr. Shamzani joined Bank Muscat in May 2019 as General Manager – Meethaq Islamic Banking. He holds a Bachelor Degree (BBA) in Finance as well as Masters Degree (MBA) in International Business and Human Resource Management from the University of Miami, Florida.

12. Allotment of bonds

Eligibility for the allotment of Bonds

The Bonds will be exclusively allotted to Shareholders who are registered as holders of Ordinary Shares of the Issuer on shareholders register of MCD on the Record Date. The allotment would be made on the basis of the Allotment Ratio.

For the sake of clarity, it is specified that the Ordinary Shares issued pursuant to the Bonus Share Issue on the OGM Date would not be considered for determining the allotment of Bonds based on the Allotment Ratio.

The Bonds are issued to the Shareholders as on the EGM Date without any consideration. The Bonds are paid in full out of the retained earnings of the Bank without the Shareholders incurring any expenses related to the Issue, and they are allocated to the Shareholders on the EGM Date on pro-rata basis.

Allotment of Bonds

Shareholders holding Ordinary Shares on the Record Date will be eligible for allotment of Bonds. Each eligible Shareholder will receive a direct credit of such Shareholder's Bonds entitlement in his/her/ its MCD account. There is no requirement for a Shareholder to submit an application form or undertake any other actions relating to the allotment of Bonds.

The allotment of Bonds will be handled by the MCD using its proprietary systems and procedures.

Correspondence

All correspondence shall be sent to eligible Shareholders at the Shareholder's address recorded with the MCD. Therefore, all eligible Shareholders are advised to verify the correctness of such addresses.

Proposed Timetable

Milestone	Anticipated Date
Approval of the CMA with regard to the proposal for the allotment of the Bonds	13 November 2022
Listing of the Bonds on the MSX	21 November 2022

Listing & Trading of the Bonds of the Issuer

The Bonds will be listed on the bond segment of MSX in accordance with the laws and procedures that are in force on the date of the listing application. The listing date forecast above is an estimated date and in case of any rescheduling being required, it will be published on the MSX website.

Responsibilities & Obligations

The Issue Manager and the MCD shall abide by the responsibilities and duties specified under the Regulations issued by the CMA and shall comply with by any other responsibilities and obligations set out in the agreements entered into between each of them with the Issuer.

The parties concerned shall be required to take remedial measures with regard to the damages arising from any negligence committed in the performance of the functions and responsibilities assigned to them. In such event the Issue Manager shall liaise with relevant authorities such as CMA and MSX for taking suitable steps and measures for repairing such damages.

13. Undertakings

13.1 ISSUER: Bank Muscat SAOG

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

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

Signed on behalf of the Board of Directors:

S. No.	Name	Designation	Signature
1	Sheikh Waleed K. Al Hashar	Chief Executive Officer	Sd/-
2	Mr. Ganesh Thangavel	Chief Finance Officer	Sd/-

13.2 ISSUE MANAGER

In accordance with the responsibilities assigned to us, in accordance with the Securities Law, the CML Law and its Executive Regulations, and the CCL and the directives issued by the CMA, we have reviewed all the relevant documents and other material required for the preparation of the Prospectus pertaining to the issue of Bonds by Bank Muscat SAOG.

The Board of Directors of Bank Muscat 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:

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

Issue Manager

Bank Muscat SAOG - Investment Banking Division

Signed /-

13.3 LEGAL ADVISOR: AL BUSAIDY MANSOOR JAMAL

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

Legal Advisor

Al Busaidy, Mansoor Jamal & Co.

Sd/-

