



بنك ظفار  
BankDhofar

## Increase of share capital through a Rights Issue of 216,216,216 Shares, at a price of Bzs 185 per Share

(With a nominal value of Bzs 100 per share, a share premium of Bzs 83 per share and issue expenses of Bzs 2 per share)

### RIGHTS TRADING PERIOD

Trading Opening Date: 10 December 2017

Trading Closing Date: 21 December 2017

### RIGHTS SUBSCRIPTION PERIOD

Subscription Opening Date: 13 December 2017

Subscription Closing Date: 26 December 2017

### Financial Advisor & Lead Issue Manager



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

### Co-Issue Manager and Collecting Bank



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RIGHTS ISSUE PROSPECTUS





His Majesty Sultan Qaboos Bin Said





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**BankDhofar SAOG**

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

## RIGHTS ISSUE PROSPECTUS

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

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**Co-Issue Manager**

BankDhofar SAOG  
Investment Banking Division



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**Collecting Bank**

BankDhofar SAOG



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**Legal Adviser**

Dentons & Co Oman Branch



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*This is an unofficial English version of the original Prospectus prepared in Arabic and approved by the Capital Market Authority pursuant to the Administrative Decision No. K/76/2017 dated 20 November 2017. In the event of any conflict between the Arabic version and the English version, the Arabic version will prevail. The Capital Market Authority assumes no responsibility for the accuracy and adequacy of the statements and information contained in the Prospectus nor shall it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person.*



## IMPORTANT NOTICE TO INVESTORS

### All investors are advised to read this notice

The aim of this Prospectus is to present material information that may assist investors to make an appropriate decision as to whether or not to invest in the shares of BankDhofar SAOG (“BankDhofar” or “the Bank”) offered hereunder (the “Offer Shares”).

This Prospectus contains all material information and data and does not contain any misleading information or omit any material information that would have positive or negative impact on an investor’s decision as to whether or not to invest in the Offer Shares.

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

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

It is noteworthy that no person has been authorized to make any statements or provide information on the Bank or the Offer Shares other than the persons whose names are indicated in this Prospectus. Where any other person makes any statement or provides information in this Prospectus, it should not be taken as noted that such person has not been authorized by the Bank or the Lead Issue Manager, the Co-Issue Manager or the Legal Advisors.

## 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 materially differ from the way implicitly portrayed within this Prospectus. The use of any of the words “aim”, “anticipate”, “continue”, “estimate”, “objective”, “plan”, “schedule”, “intend”, “expect”, “may”, “will”, “project”, “propose”, “should”, “believe”, “will continue”, “will pursue” and similar expressions may be intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect current expectations regarding future results or events and are based on various estimates, factors and assumptions. The Bank believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct.

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

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

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

The Bank cannot provide any assurance that the forward-looking statements will materialize. The Bank, the Legal Advisor, the Co-Issue Manager, the Lead Issue Manager and any of their respective affiliates, disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of 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 Chapter 11 (“Risk Factors and Mitigants”) of this Prospectus. The risk factors described in this Prospectus are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the forward-looking statements.



## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

**Financial Data:** This Prospectus includes certain projections. The projections are based on the expectations of external conditions and events relating to the Bank, the competitive environment in Oman and the industry in which the Bank operates. These projections are forward-looking statements that involve inherent risks and uncertainties. Prospective Applicants are cautioned that a number of important factors could cause actual results or outcomes relating to the Bank to differ materially from those expected in these projections.

In addition, the Lead Issue Manager has not independently verified any of the projections and financial/ other data prepared by the Directors. Please see Chapter 11 (“Risk Factors and Mitigants”).

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

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

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

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

## ADDITIONAL POINTS TO BE NOTED

**Scope of information:** The information contained in this Prospectus is intended to provide a prospective Applicant with adequate information relating to the investment opportunity and background information on the Rights Issue. However, this Prospectus does not necessarily contain all the information that a prospective Applicant may consider material. The content of this Prospectus is not to be construed as legal, business or tax advice. Each prospective Applicant should consult his own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any subscription, purchase or proposed subscription or purchase of the Offer Shares.

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

**Equity risk:** All equity investments carry market risks to varying degrees. The value of any security can fall as well as rise depending on the market conditions. Potential investors should read the Chapter 11 (“Risk Factors and Mitigants”) of this Prospectus.

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

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

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



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BankDhofar

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## DEFINITIONS/ABBREVIATIONS

<b>Additional Shares</b>	Additional Offer Shares applied for by a Shareholder in addition to such Shareholder's rights entitlement.
<b>AGM</b>	Annual General Meeting of the Bank.
<b>Allotment Date</b>	The date on which CMA approves the allotment of Offer Shares to successful Applicants.
<b>Applicant</b>	Shareholders who are eligible as at the Record Date for subscription to the Rights Issue or a person who has purchased a rights entitlement through the MSM and who submits their completed Application Form to the Collecting Bank on or before the issue closing date.
<b>Application Form</b>	The application form required to be completed by an Applicant for subscribing to the issue.
<b>Articles of Association</b>	The articles of association of the Bank.
<b>Bank / BankDhofar/ Company / Issuer</b>	BankDhofar SAOG.
<b>Banking Law</b>	The Banking Law of Oman promulgated by Royal Decree Number 114/2000, as amended.
<b>Board / Board of Directors</b>	The board of directors of the Bank as elected, from time to time, by the Shareholders in accordance with the provisions of the Articles of Association, the CCL and the applicable rules and regulations issued by the CBO and the CMA.
<b>Bzs</b>	Baizas, 1000 Baizas in a RO.
<b>CAGR</b>	Compounded annual growth rate.
<b>CAR</b>	Capital Adequacy Ratio of the Bank.
<b>CBO</b>	The Central Bank of Oman.
<b>CCB</b>	Capital Conservation Buffer.
<b>CCL / Commercial Companies Law</b>	The Commercial Companies Law of the Sultanate of Oman promulgated by Royal Decree Number 4/74, as amended.
<b>CET1</b>	Core Equity Tier 1 Ratio
<b>CMA</b>	The Capital Market Authority of Oman.
<b>Code</b>	The CMA code of corporate governance for public joint stock companies issued by circular 4/2015 in July 2015, as amended.
<b>Co-Issue Manager</b>	BankDhofar SAOG - Investment Banking Division.
<b>Collecting Bank</b>	BankDhofar SAOG.
<b>Common Equity Tier I capital</b>	Common equity tier 1 of a bank capital described in the Basel III capital adequacy requirements implemented by CBO circular dated 17 November 2013.
<b>EPS</b>	Earnings per share.
<b>Executive Regulations</b>	Executive Regulations of The Capital Market Law issued by Decision No. 1/2009, as amended.

<b>FY / Financial Year</b>	The financial year of the Bank which commences on the 1 <sup>st</sup> of January and ends on the 31 <sup>st</sup> of December of the same year.
<b>GCC</b>	The Gulf Cooperation Council.
<b>General Meeting</b>	An Ordinary General Meeting or an Extraordinary General Meeting of the shareholders.
<b>Government</b>	The Government of Oman.
<b>Lead Issue Manager</b>	Gulf Baader Capital Markets SAOC
<b>Legal Advisor</b>	Dentons & Co. Oman Branch
<b>MCDC</b>	The Muscat Clearing & Depository Company SAOC.
<b>MOCI</b>	The Ministry of Commerce and Industry of Oman.
<b>MSM</b>	The Muscat Securities Market of Oman.
<b>OCCI</b>	The Oman Chamber of Commerce and Industry.
<b>Offer Shares</b>	The Shares that are the subject of the Rights Issue.
<b>Oman/ the Sultanate</b>	The Sultanate of Oman.
<b>Prospectus</b>	This prospectus of the Rights Issue, as approved by the CMA.
<b>Record Date</b>	The date as on which the Shareholders whose names are registered in the MCDC records will be eligible to subscribe to the Rights Issue.
<b>Rial Omani / RO / OMR</b>	The lawful currency of Oman.
<b>Rights Issue / Issue</b>	The rights issue of the Offer Shares, made under this Prospectus.
<b>Shares</b>	The ordinary shares of the Bank with a nominal value of RO 0.100.
<b>Shareholders</b>	The shareholders of the Bank.
<b>Subscription Price / Issue Price</b>	The subscription price per Offer Share payable by an Applicant as stated in this Prospectus.
<b>US\$</b>	United States Dollars, the lawful currency of the United States of America.

## CHAPTER 1 - GENERAL INFORMATION ON THE ISSUE AND THE ISSUER

<b>Name of the Issuer</b>	BankDhofar SAOG
<b>Commercial Registration No</b>	1291106 established on 1 January 1990
<b>Principal place of Business</b>	Postal Address: PO Box 1507, PC 112, Ruwi, Oman
<b>Bank's Duration</b>	Unlimited
<b>Financial Year</b>	Financial year commences on 1 <sup>st</sup> January and ends on 31 <sup>st</sup> December of the same year.
<b>Authorized Share Capital</b>	The authorized share capital of the Bank is RO 500,000,000 divided into 5,000,000,000 Shares of Bzs 100 each.
<b>Issued &amp; Paid up Capital (Pre Rights Issue )</b>	The issued and fully paid up share capital of the Bank is RO 204,164,151 divided into 2,041,641,506 Shares of Bzs 100 each.
<b>Issued and Paid up Share Capital (Post Rights Issue )</b>	The issued and fully paid up share capital of the Bank shall be RO 225,785,772 divided into 2,257,857,722 Shares of Bzs 100 each after the Rights Issue, assuming full subscription of the Rights Issue.
<b>Nominal Value of the Shares</b>	Bzs 100 per Share.
<b>Issue Size</b>	216,216,216 Shares offered at Baiza 185 per share, aggregating to RO 40 million.
<b>Issue Price</b>	Baiza 185 per Offer Share, consisting of a nominal value of RO 0.100 plus premium of Baiza 83 plus Baiza 2 towards issue expenses, payable in full on submission of Application Form.
<b>Purpose of the issue</b>	Issue proceeds will primarily be used to increase the Bank's Common Equity Tier I capital. For details, please refer to Chapter 2 of this Prospectus.
<b>Issue Expenses</b>	An amount of 2 Bzs per Offer Share is payable by an Applicant towards issue expenses.
<b>Rights Entitlement</b>	Every existing shareholder as on the Record Date is entitled to subscribe to about 10.59 Offer Shares for every 100 shares held as on the Record Date i.e. 1 Offer Share against about every 9.44 shares held on Record Date, duly rounded off to the nearest whole number.
<b>Eligibility for Subscription</b>	<p>Subscription for the Rights Issue is open to the Shareholders whose names appear in the Bank's shareholder register with the MCDC as on the Record Date. Persons who purchase the rights on the MSM before the end of the trading period of the Rights Issue are also eligible to subscribe for the Offer Shares before the Rights Issue closes.</p> <p>The 'rights' representing ownership rights of Shareholders to subscribe to the Rights Issue may be traded on the MSM during the period prescribed for that purpose. A Shareholder has the option to either subscribe to the Rights Issue or sell the 'rights' entitlement on the MSM to an interested investor. The eligibility to subscribe for Offer Shares shall lapse in case the Shareholder neither exercises his right of subscription to the Rights Issue nor sells its 'rights' on the MSM during the subscription period.</p>

<b>Application for Additional Shares</b>	<p>Shareholders as on the Record Date may apply for Additional Shares and shall fill in the required details in the Application Form and submit it to the Collecting Bank along with the requisite subscription amount.</p> <p>A Shareholder who does not subscribe to his full rights entitlement or sells his rights entitlement (either in part or in full) is not eligible to apply for Additional Shares.</p> <p>A person who has bought a rights entitlement is not eligible to apply for Additional Shares.</p> <p>The application and allotment of Additional Shares shall be subject to the terms and conditions stipulated in Chapter 14.</p>
<b>Minimum and Maximum subscription</b>	For details, please refer to Chapter 14.
<b>Refund of application money</b>	Refund of application money, if any, shall be made to the respective bank account of the Applicants, within 15 days of the closure of the Rights Issue.
<b>Permissible Level of Foreign Shareholding</b>	It is permissible for non-Omanis to own up to 49% of the Share Capital of the Bank in accordance with the Articles of Association. GCC nationals and GCC owned companies shall be treated on par with Omani nationals in respect of ownership of and trading in shares and establishment of companies in Oman pursuant to Ministerial Decision 205/2007 dated 1 <sup>st</sup> December 2007.
<b>Record Date</b>	29 November 2017
<b>Start of trading of rights entitlement</b>	10 December 2017
<b>End of trading of rights entitlement</b>	21 December 2017
<b>Subscription / Issue Opening Date</b>	13 December 2017
<b>Subscription / Issue Closing Date</b>	26 December 2017
<b>Listing</b>	Since the shares of the Bank are already listed on the MSM, the Offer Shares shall also be listed on the MSM.
<b>Regulatory Approvals for the Rights Issue</b>	<ul style="list-style-type: none"> <li>• Board approval, under the board resolution at its meetings on 26 July 2017 and 5 October 2017.</li> <li>• Approval received from the CBO vide its letter no. BDD/CBS/BD/2017/4743 dated 16 October 2017.</li> <li>• Approval received from the CMA vide its CMA Administrative Decision No. K/76/2017 dated 20 November 2017.</li> </ul>
<b>Allotment</b>	The Offer Shares shall be allotted against valid Application Forms, subject to the provisions of Chapter 14. For details, please refer to Chapter 14.
<b>Financial Advisor &amp; Lead Issue Manager</b>	<b>Gulf Baader Capital Markets SAOC</b> PO Box 974, PC 112, Ruwi, Oman Tel: +968 22350700 Fax: +968 22350745
<b>Co-Issue Manager</b>	<b>BankDhofar SAOG - Investment Banking Division</b> PO Box 1507, PC 112, Ruwi, Oman Tel: +968 24790466 ext. 444, Fax: +968 24791131

<b>Statutory Auditors</b>	<b>Ernst &amp; Young LLC</b> PO Box 1750, PC 112, Ruwi, Oman Tel: +968 24559559, Fax: +968 24566043
<b>Legal Advisor to the Issue</b>	<b>Dentons &amp; Co. Oman Branch</b> PO Box 3552, PC 112, Ruwi, Oman Tel: +968 24573000, Fax: +968 24573097
<b>Collecting Bank</b>	<b>BankDhofar SAOG</b> PO Box 1507, P C 112, Ruwi, Oman Tel: +968 24726366/361/362, Fax: +968 24726262

## CHAPTER 2 - OBJECTIVE OF THE ISSUE AND USE OF PROCEEDS

### 2.1 Objective of the Rights Issue and Use of Proceeds

The purpose of the Rights Issue is to increase the Common Equity Tier I capital of the Bank in order to improve the CAR, strengthen the Bank's balance sheet and to support future growth of the Bank's business.

To meet the CBO and Basel III capital adequacy requirements and to fund growth of the Bank in line with the Bank's strategic plan.

### 2.2 The estimated cost of the Rights Issue

The issue expenses of the Rights Issue are estimated at RO 115,500 which is equal to approximately 0.29% of the total gross proceeds of the Rights Issue, assuming full subscription. The issue expenses of the Rights Issue will be partly met from the amounts collected from Applicants at 2 Bzs per Offer Share and the remainder will be borne by the Bank. Any surplus of the collection towards Issue Expenses over the actual expenses incurred will be retained by the Bank and credited to its legal reserve or a special reserve to be established pursuant to Article 106 of the CCL. The breakdown of the estimated costs and expenses of the Rights Issue is given below:

Particulars	Rial Omani
Lead Issue Manager & Collecting Bank Fee	55,500
Legal Fees	10,000
CMA Fees	20,000
Marketing, Advertising, Printing & Publicity	20,000
Other Expenses including Processing, Postage	10,000
<b>TOTAL</b>	<b>115,500*</b>

*\*These are estimates and may change as per the actual*

## CHAPTER 3 - BANK'S OBJECTS & APPROVALS

### 3.1 Overview

The Bank was established in Oman on 1 January 1990 as a public joint stock company (under registration no. 1/29110-6) and is engaged in retail banking, corporate banking, investment banking and treasury services. During 2013, the Bank also started its Islamic banking window, Maisarah Islamic Banking Services (MAISARAH). The Bank has a primary listing of its equity shares on the MSM and its Tier 1 Perpetual Bonds on the Irish Stock Exchange. Its principal place of business is the Head Office, Commercial Business District, Muscat, P.O. Box 1507, P.C. 112, Ruwi, Oman. The Bank's website address is <http://www.bankdhofar.com>, its telephone number is +968 24790466 and its fax number is +968 24702865.

### 3.2 Objects of the Bank

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

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

- (i) to receive money on demand, current account, deposit or loan or otherwise with or without interest or other conditions, to open accounts and to offer and provide account facilities, and to employ money and securities in any manner which the Company may consider expedient;
- (ii) to advance or lend money with or without charges, guarantees and any other security and on any other terms and to renew reschedule and otherwise vary any such advances and loans;
- (iii) to draw, make, accept, endorse, grant, discount, acquire, buy, sell, issue, negotiate, transfer, hold, invest, or deal in and honour, retire, pay or secure bills of exchange, promissory notes, treasury bills (whenever applicable), cheques, coupons, drafts, bills of lading, warrants, bonds, certificates of deposit and other instruments and securities of any kind whatever;
- (iv) to make deposits in other banks;
- (v) to buy, sell and deal in foreign exchange, bullion, specie, precious metals and minerals;
- (vi) to grant, issue and negotiate letters of credit and/or letters of guarantee and circular notes and to advance money on bills of lading, transport certificates and delivery bonds for goods consigned inland or abroad;
- (vii) to issue guarantees and indemnities for the benefit of any person or company with or without collateral;
- (viii) to collect transfer orders, debt certificates, bills of lading and other certificates for the account of any person or company;
- (ix) to keep in safe custody every type of written instrument, currency, precious metals, securities, parcels and packets and to act as trustee, accept proxies and nominate trustees;
- (x) to participate in investments, industrial ventures and other economic activities including participation in capital whether in the form of shares, stocks, options, debentures or otherwise;
- (xi) to carry out such banking activities as are necessary to fulfill the above mentioned objects and all other activities permissible under the Banking Law or otherwise permissible to be carried out by banks licensed pursuant to the Banking Law;
- (xii) to carry on the Company's objects in Oman and in any other part of the world and either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others, and either by or through agents, sub-contractors, trustees or otherwise;
- (xiii) to acquire and hold shares in or otherwise participate in or be associated with any other organization having objects altogether or in part similar to those of the Company, or carrying on any business capable of being conducted so as to benefit the Company directly or indirectly;
- (xiv) in furtherance of the Company's objects to enter into contracts with any individual or company within or outside the Sultanate of Oman for the management of all or part of its operations and activities, or for assistance in such management by local or foreign sources of expertise;
- (xv) in furtherance of the Company's objects to enter into association with any other company or companies

which may carry on activities similar to its own activities and which might assist it in accomplishing of its objects within or outside the Sultanate;

- (xvi) to carry out banking activities compatible with the provisions of Islamic Sharia law through the establishment of Islamic banking window to provide business and Islamic banking services, according to the provisions of the banking law and regulations and instructions of the CBO; and
- (xvii) in furtherance of the Company's objects, to perform all acts enter into all contracts and dealings and do all things necessary, suitable, convenient or proper for the accomplishment thereof which are permissible under the laws of Oman in force from time to time.

### 3.3 Licenses

The Bank presently holds the following material licenses:

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

### 3.4 Corporate and other approvals obtained for this Issue

#### 3.4.1 Board Approval

The Board or its duly authorised committees passed the following resolutions at meetings held on the respective dates as below:

- on 26 July 2017 approved the size of the Rights Issue of up to RO 40 million; and
- on 5 October 2017 approved the Rights Issue price of Baiza 185 per Offer Share including a share premium of Baiza 83 and issue expenses being Baiza 2;

#### 3.4.2 Board Capital & Funding Committee

- on 9 August 2017, approved the appointment of Gulf Baader Capital Markets SAOC as the Lead Issue Manager to manage the Rights Issue; and BankDhofar Investment Banking Division as the Co-Issue Manager
- on 9 August 2017, approved the appointment of Dentons & Co. Oman Branch as the Legal Advisor to the Rights Issue.

#### 3.4.3 CBO Approval

The CBO granted its approval of the Rights Issue vide its letter no. BDD/CBS/BD/2017/4743 dated 16 October 2017, subject to the Bank obtaining CMA and all other corporate approvals.

### 3.4.4 CMA Approval

The CMA approved this Prospectus vide its Administrative Decision No. K/76/2017 dated 20 November 2017.

### 3.5 Change in Bank's equity capital

The change in Bank's equity capital during the last five years -

Year	Paid-up capital opening balance (RO '000)	Distributions of bonus shares / Rights Issue (RO '000)	Stock Dividend as % to paid-up capital	Paid-up capital end of the year (RO '000)
2013	110,012	11,001	10%	121,013
2014	121,013	13,311	11%	134,324
2015	134,324	20,149	15%	154,473
2016	154,473	15,447	10%	189,920
		20,000	-	
2017	189,920	14,244	7.5%	204,164*

\*as on the date of this prospectus

## CHAPTER 4 - SHAREHOLDING DETAILS

The significant shareholders as at 30 September 2017, owning 5% or more of the paid-up capital of the Bank, are as follows:

Name	Nationality	Class of Equity	No. of Shares	%
Dhofar International Development & Investment Holding Co. SAOG	Omani	Equity shares	571,659,616	28.00
Civil Service Pension Fund	Omani	Equity shares	204,164,097	10.00
Malatan Trading & Contracting Co	Omani	Equity shares	203,057,410	9.95
HSBC a/c Ministry of Defence Pension Fund	Omani	Equity shares	173,844,012	8.51
Eng. Abdul Hafidh Salim Rajab Al Aujaili	Omani	Equity shares	168,801,222	8.27
Public Authority of Social Insurance	Omani	Equity shares	168,525,971	8.25
HSBC a/c CSZ a/c Qais Omani Establishment LLC	Omani	Equity shares	127,988,791	6.27

## CHAPTER 5 - OMAN ECONOMY

### 5.1 Overview of Oman Economy

The Omani economy contracted in nominal terms for the second year in a row in 2016, after a sustained robust expansion over five years (2010-2014), mainly due to steep decline in hydrocarbon activities. Despite expansion in output, the revenues from hydrocarbon sector declined reflecting lower level of oil prices. Oman's nominal GDP contracted by 5.1 percent in 2016, on top of a drop of 13.8 percent in 2015, due to weakening of both external and domestic demand. The external demand deteriorated sharply following the average price of Omani crude falling by 28.9 percent in 2016, while domestic demand weakened due to decline in Government expenditure by 5.8 percent. Component-wise, nominal oil sector GDP decreased by 23.7 percent in 2016, while the non-oil sector registered a growth of 0.6 percent during the period. The share of hydrocarbon sector in total exports decreased to 57.9 percent in 2016 from an average of 66.3 percent during 2011-2015, while its contribution to Oman's GDP at market prices dropped to 27.4 percent from an average of 47.0 percent during this period. Non-petroleum industrial activities also contracted by 3.7 percent in 2016, on top of a decline of 3.0 percent in 2015, reflecting reduced government spending and economic slowdown. Among the non-petroleum industrial activities, manufacturing activities registered a pronounced contraction of 17.2 percent in 2016 compared to a decline of 13.4 percent in 2015. On the other hand, GDP originating from 'construction', recorded positive growth of 10.5 percent, and from 'mining and quarrying', and 'electricity and water supply', each recorded positive growth of 5.4 percent in 2016. Construction accounted for the highest share of 44.5 percent in non-petroleum industrial activities, followed by manufacturing (42.1 percent), electricity and water supply (10.7 percent), and mining and quarrying (2.7 percent). Manufacturing sector accounted for 8.5 percent of GDP in 2016, lower than the annual average of 10.4 percent in the period 2011-2015, and also much lower compared to the target of about 15 percent to be achieved by 2020 as part of the diversification program. The weak external demand following global slowdown mainly led to the weakening of the manufacturing sector in 2016.

In order to make the growth process in Oman more resilient to the external price shocks, 'Vision Document' has set the target for the agriculture and fishing sectors to contribute about 3.1 percent and 2.0 percent of GDP, respectively by 2020. Agriculture and fishing sector registered a solid growth of 16.3 percent in 2016 as against an average growth of about 6.4 percent in the previous five years, and their share in the overall GDP improved from an average of 1.3 percent to 2.0 percent during this period. At the same time, the intensive efforts of the Government aimed at economic diversification have contributed significantly to the growth of services sector in Oman during the recent period. In 2016, the value added in the services sector exceeded that in the hydrocarbon sector, and as a result, its share in GDP improved to 53.5 percent in 2016 from an average of 39.6 percent during the previous five years. The real estate services grew by 6.2 percent in 2016, while financial intermediation sector consolidated their position and registered positive growth during the year despite overall slowdown of the economy. Tourism is among the sectors identified as part of the diversification program; however, the value addition emanating from 'hotels and restaurants', decreased by 0.3 percent in 2016 over the previous year.

Both the Ninth Plan (2016-2020) and Tanfeedh aim to enhance economic diversification by adopting a set of sectoral objectives, policies and mechanisms, and eventually help the economy to revive from the economic downturn. Fiscal policy by pursuing consolidation, and the monetary policy by adopting an accommodative stance are also providing requisite push to the economic forces to deal with the current macroeconomic challenges. The Sultanate's annual General Budget for 2017 included measures to rationalize expenditure and broaden non-oil revenue, while the monetary policy is ensuring appropriate liquidity in the system so that all legitimate credit needs are met. As a result of these policy efforts, the real GDP growth is expected to be positive in 2016, despite contraction in nominal GDP.

## 5.2 Outlook for Oman

Lower hydrocarbon prices continued to weigh on the overall macroeconomic scenario in Oman, notwithstanding various reform measures undertaken by the authorities to improve fiscal balance, and propel economic diversification to reduce dependence on the oil sector. Both the current account balance and fiscal balance remained in large deficit for the second consecutive year during 2016, mainly due to continued lower level of oil prices. The output in hydrocarbon sector declined by 23.7 percent, while non-hydrocarbon sector output grew marginally by 0.6 percent in 2016. Overall nominal GDP (at market prices) contracted by 5.1 percent in 2016, lower than contraction of 13.8 percent during 2015, mainly due to decline in both government spending and net external demand. Inflation, however, inched up from 0.1 percent in 2015 to 1.1 percent during 2016, partly reflecting the increase in electricity and fuel prices. The Government resorted to borrowing through loans and bonds from both domestic as well as external sources to finance fiscal deficit and consequently, debt to GDP ratio shot up from 12.8 percent at the end of 2015 to 31.4 percent at the end of 2016. Notwithstanding the decline in the net foreign assets of the CBO, the gross and net foreign assets provided cover for around 11 months and 8 months of merchandise goods imports, respectively, at the end of 2016, improving forex reserves adequacy. The banking sector also continued to be robust with high capital adequacy, despite economic slowdown, albeit some uptick in delinquency. The credit growth at 10.1 percent outweighed growth in deposits at 5.2 percent during 2016, implying some liquidity tightness which led to rise in interest rates on both deposits and loans, but the increase in the former was higher than the latter.

Going forward, the hydrocarbon sector is expected to further slowdown in 2017, despite some recovery in oil prices, due to lower production as part of the OPEC and other oil producers' agreement. Although oil prices are expected to further recover somewhat, Oman oil price would remain much lower than the external breakeven level. As per IMF's projection, oil prices are expected to average at about US\$ 55 per barrel during 2017-18 compared to an average of US\$ 43 a barrel in 2016. At the same time, planned fiscal consolidation is expected to slow down the growth of the non-hydrocarbon sector. Overall, the slowdown in the Omani economy is expected to continue during 2017. Nonetheless, the progress on macroeconomic reforms, such as introduction of excise and value added tax, approval for legislations on labour and foreign direct investment would be paramount for shaping the medium-term outlook of the Omani economy, especially in the backdrop of expectations about low hydrocarbon prices. Continuation of other ongoing fiscal reforms, viz., reduction in subsidies, containing current expenditure and prioritizing capital expenditure etc. would also remain a main catalyst for future macro outlook. Furthermore, the economic diversification with increased participation of the private sector would pave the way for sustainable growth in the economy, and therefore, emphasis on the same as part of the 9<sup>th</sup> Five Year Development Plan and Tanfeedh need to be increased. Government has already taken various measures to promote tourism, and expand manufacturing sector, but approval of the legislation on foreign direct investment would usher in increased participation of foreign investors, and accelerate the pace of economic diversification in the economy. CBO, on its part, has been facilitating the economic diversification by pursuing accommodative monetary policy and ensuring adequate liquidity in the system so that the legitimate credit needs of all sectors of the economy are met at reasonable cost.

*(Source : CBO Annual Report 2016, published in June 2017)*

## CHAPTER 6 - DESCRIPTION OF THE BANK AND BUSINESS OVERVIEW

### 6.1 Overview of the banking sector in Oman

The Oman banking system comprises commercial banks, specialised banks (such as Oman Housing Bank), Islamic banks and windows, non-bank finance and leasing companies and money exchange establishments. As at 31 December 2016, the number of conventional commercial banks stood at 16, of which 7 were locally incorporated and 9 were branches of foreign banks. The locally incorporated conventional commercial banks are BankDhofar SAOG, BankMuscat SAOG, National Bank of Oman SAOG, HSBC Bank Oman SAOG, Oman Arab Bank SAOC, Bank Sohar SAOG and Ahli Bank SAOG.

The Oman banking system includes two Government-owned specialised banks, namely, Oman Housing Bank and Oman Development Bank, which were established by the Government to provide long term financing to low and middle income nationals as well as to provide loans to development projects including agriculture, fisheries, livestock, tourism and traditional craftsmanship. Interest rates on loans advanced by the two specialised banks are subsidised by the Government.

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

#### Islamic Banking

In December 2012, the Oman Banking Law was amended by Royal Decree 69/2012 (promulgated on 6 December 2012) to allow the CBO to licence the conduct of banks in Oman to carry out Islamic banking business through either fully fledged Islamic banks or windows of conventional banks. Oman was the last of the GCC countries to introduce Islamic banking.

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

The introduction of Islamic banking in Oman added a number of new entrants to the banking system enhancing the competitive environment in terms of efficiency and innovation as well as providing customers with the benefit of choosing between conventional and Islamic banking products. There are two locally incorporated Islamic banks, namely, Bank Nizwa SAOG and Alizz Islamic Bank SAOG. Bank Nizwa SAOG commenced operations in December 2012 and Alizz Islamic Bank SAOG commenced operations towards the end of 2013. A number of conventional banks, including the Bank, BankMuscat SAOG, National Bank of Oman, Bank Sohar SAOG and Oman Arab Bank have established windows for Islamic banking.

#### International Banks

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

## 6.2 BankDhofar at a Glance

With assets of over OMR 4 billion as on 30 September 2017, BankDhofar is one of the fastest growing Banks in Oman, with a strong presence in corporate banking, consumer banking, treasury and project finance. At the same time, it is Oman's second largest bank in both - total assets and market capitalisation. The Bank has a network of 68 branches with an extensive ATM & CDM network which spans the country. With a keen interest in helping entrepreneurs, the Bank aids businesses in this sector to develop, diversify, innovate and promote Omani products and owners. The Bank has maintained a high level of Omanisation and strives to offer Omani nationals with sound career and development opportunities.

### 6.2.1 History

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

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

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

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

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

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

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

## 6.2.2 Banking Services



## 6.2.3 Awards & Recognitions

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

Some of the recent awards and accolades received are -

- Best Bank in Oman, Large Banks Categories 2017 - Oman Economic Review
- Excellence in SME Financing Award at The Arab Banks Awards & Commendations of Excellence 2017 by World Union of Arab Bankers
- Top 20 Oman's Largest Corporates Award at the OER Finance Summit & Top 20 Awards
- Best Islamic Bank in Oman at the EMEA Finance's Achievement Awards 2016
- Best Islamic Community Support Bank 2017 by Global Financial Market Review
- Best Mobile Banking Application in Oman 2016 at the World Finance Digital Banking Awards.
- Best Digital Bank in Oman 2016 at the World Finance Digital Banking Awards.
- SME Bank of the Year - Oman by the "Wealth & Finance International Magazine"- UK (Finest in Finance)
- Brand of Excellence in SME Banking Oman 2017 by Finance Digest 2017 Brand of Excellence Program
- Brand of Excellence in E-Commerce Banking Oman 2017 by Finance Digest 2017 Brand of Excellence Program
- GTR Best Deals of 2016 by Global Trade Review "Liwa Plastics deal"

The Bank is rated by Moody's Investor Service with a Long-term Local and Foreign Currency Deposit Rating of Baa3 (Negative Outlook) on 7 August 2017. Similarly, Fitch Ratings has given Long Term Foreign Currency Rating of BBB- (Negative Outlook) on 3 July 2017.

#### 6.2.4 Products and Services

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

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

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

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

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

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

### 6.3 Business growth and performance

As on 30 September 2017, BankDhofar is Oman's second-largest bank by market capitalization and by total assets. BankDhofar has earned the reputation of a financial institution with a strong commitment to consistency and growth. In addition to the conventional banking products and services the Bank offers comprehensive Islamic banking products and services through various channels, including wider branch network, electronic banking services, such as, internet banking, phone banking, SMS banking, cash deposit and payment machines, point of sales merchant acquiring services.

With total assets of over RO 4 billion as on 30 September 2017, BankDhofar is one of the fastest growing banks in Oman. As on 30 June 2017, the Bank has a market share of about 13.9% in customer deposits and about 13.6% in net loans in Oman (*Source: GBCM research*).

The growth of the Bank's business is presented in the following table:

(RO million)

	30 September 2017	2016	2015	2014
Total Assets	4,071.23	3,952.04	3,593.06	3,194.13
Loans, advances and financing to customers	3,175.03	2,988.59	2,729.31	2,254.71
Deposits from customers	3,101.55	2,885.19	2,592.37	2,482.18
Operating Income	94.11	127.35	115.23	98.85
Operating Profit	50.06	70.59	64.03	52.69
Net Profit	34.79	47.62	46.77	40.45
Capital Adequacy	14.61%	14.41%	14.70%	14.05%

### 6.3.1 Capital Adequacy

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

#### (i) Under Basel II:

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

#### (ii) Under Basel III

- a. The predominant form of capital shall be Tier 1 capital of which Common Equity Tier 1 Capital (CET1) will form the major component.
- b. To maintain CAR at a minimum of 13.25% (w.e.f. 1 January, 2017) including the capital conservation buffer.
- c. The capital conservation buffer shall be enforced in phases with a 0.625% increase every year from 2018 to 2019. Banks are required to maintain the following minimum capital adequacy ratios at all times:
  - o Within the overall requirement of 13.25% CAR, Tier 1 ratio is to be maintained at a minimum of 10.25%;
  - o Within the minimum Tier 1 ratio of 10.25%, minimum CET 1 ratio is to be maintained at 8.25%; and
  - o Further, within the minimum overall capital ratio of 12% (excluding the capital conservation buffer), Tier 2 capital can be admitted up to a maximum of 3% of a bank's risk weighted assets.
  - o The above requirement will change correspondingly with the implementation of an additional capital conservation buffer of 0.625% each year from 2018 to 2019.

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

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

As indicated in Chapter 2 of this Prospectus, the Offer Shares shall form part of the Bank's Common Equity Tier 1 Capital. Accordingly:

- i. the Offer Shares represent the most subordinated claim in liquidation of the Bank;
- ii. the Offer Shares are entitled to a claim on the residual assets that is proportional with its share of issued capital of the Bank, after all senior claims have been repaid in liquidation (i.e. the Offer Shares have an unlimited and variable claim, not a fixed or capped claim);
- iii. the paid-up value of the Offer Shares is perpetual and is not repayable outside of liquidation. (Except for repurchases or other means of capital reduction arrangements allowable under relevant law and regulations. Repayment, repurchase or reduction of capital shall also be subject to the prior written approval of CBO).
- iv. The Applicant must not expect the Bank to buy-back, redeem or cancel the paid-up value of the allotted Offer Shares;
- v. the dividends, if any, shall 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). The level of such dividends will not in any way be tied or linked to the amount paid up at issuance and is not subject to a contractual cap, except that the Bank will not be able to pay distributions that exceed the level of distributable items;
- vi. dividends are not obligatory and non-payment is therefore not an event of default.
- vii. the dividends shall be paid only after all legal and contractual obligations of the Bank have been met and payments on more senior capital instruments have been made. This implies that there are no precluding any preferential distributions, including in respect of other elements classified as the highest quality issued capital;
- viii. the Offer Shares shall absorb the first and proportionately greatest share of any losses as they occur and within the highest quality capital, each Offered Share absorbs losses on a going concern basis proportionately and pari passu with all the others;
- ix. the paid-up amount of the Offer Shares will be recognised as equity capital for determining balance sheet insolvency of the Bank and the paid-up amount of the Offer Shares will be classified as equity under International Financial Reporting Standards and Accounting and Audit Organisation for Islamic Financial Institution (AAOIFI) as the case may be;
- x. the offered shares are directly issued and paid-up and the bank has not directly or indirectly funded the purchase of the instrument. If a bank issues shares as payment for the takeover of another entity, those shares also would require prior approval of CBO to be considered as paid up.
- xi. the paid-up amount of the Offer Shares is neither secured nor covered by a guarantee of the Bank or a related entity of the Bank or subject to any other arrangement that legally or economically enhances the seniority of the claim, as explained in the Basel III guidelines on regulatory capital; and
- xii. the allotted Offer Shares will be clearly and separately disclosed on the Bank's audited balance sheet.
- xiii. The Offer Shares are only issued with the Board's approval.

(iii) Under the Islamic Banking Regulatory Framework:

Islamic windows of domestic conventional banks shall maintain a minimum allocated capital of OMR 10 million at all times and need to maintain CAR at a minimum of 12%.

## a) Capital Structure:

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

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

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

The details of capital structure as on 30 September 2017 is as under:

Particulars	Amount
(RO '000)	
<b>Common Equity Tier (CET) 1/ TIER 1 CAPITAL</b>	
Paid up capital	204,164
Legal reserve	45,176
Share premium	59,618
Special reserve	18,488
Subordinated bonds and loan reserve	31,550
Retained earnings	28,450
Proposed bonus shares	-
<b>CET 1/Tier 1 Capital</b>	<b>387,446</b>
<b>Additional Tier 1 regulatory adjustments:</b>	
Deferred tax Assets	(62)
Goodwill	(1,291)
Negative investment revaluation reserve	(218)
<b>Total CET 1 capital</b>	<b>385,875</b>
Additional Tier 1 capital (AT1)	115,500
<b>Total Tier 1 Capital (T1=CET+1AT1)</b>	<b>501,375</b>
<b>TIER 2 CAPITAL</b>	
Investment revaluation reserve	282

Collective provision	42,589
Subordinated loan	57,325
<b>Total Tier 2 capital</b>	<b>100,196</b>
<b>Total eligible capital</b>	<b>601,571</b>

**b) Capital Adequacy:**

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

The Bank's capital adequacy ratio was 14.61% as at 30 September 2017 as against the CBO requirement of 13.25%. The Bank's policy is to manage and maintain its capital with the objective of maintaining a strong capital ratio and high rating. The Bank maintains capital levels that are sufficient to absorb all material risks the Bank is exposed to and provides market return to the shareholders. The Bank also ensures that the capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors and senior creditors. The whole objective of the capital management process in the Bank is to ensure that the Bank remains adequately capitalized at all times. In 2015, the Bank successfully raised Additional Tier 1 Capital of USD 300 million in the form of Perpetual Bonds listed on the Irish Stock Exchange. The Bank has in place an Internal Capital Adequacy Assessment Process (ICAAP) for assessing the Bank's capital adequacy in relation to the Bank's risk profiles as well as a strategy for maintaining its capital level. The objective of the Bank's ICAAP is to explain its risk policies adopted, target risk structure and capital planning, the process of assessing the capital adequacy for credit, market and operational risk, specific assessment procedures for risks not covered under Pillar I, processes of internal control mechanisms and stress testing methodologies adopted by the Bank.

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

Detail of Capital Adequacy as on 30 September 2017 :

Particulars	Amount
Total CET 1/Tier 1 Capital	501,375
Tier 2 Capital	100,196
<b>Total eligible capital / regulatory capital</b>	<b>601,571</b>
Risk Weighted Assets - Banking book	3,843,363
Risk Weighted Assets - Trading book	48,471
Risk Weighted Assets - Operational risk	224,316
<b>Total Risk Weighted Assets</b>	<b>4,116,150</b>
<b>CET 1 Capital ratio</b>	<b>9.37%</b>
<b>Tier 1 Capital Ratio</b>	<b>12.18%</b>
<b>Total Capital Ratio</b>	<b>14.61%</b>

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

### 6.3.2 Asset Quality and Provisioning

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

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

### 6.3.3 Risk Management

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

Overall risk management has been delegated to the RMC, which monitors and controls the overall risk profile (including Islamic Window MAISARAH). The BRMC reports to the full Board, on matters of significance and keeps the Board continuously updated with the Risk Management process in the Bank. In this task, the RMC relies on an independent Risk Management Division (RMD).

The Bank has a well-established RMD with a team of competent and experienced professionals. The primary responsibility of the RMD is to ensure on a continuous basis that an effective risk management framework exists and the various divisions of the Bank (including MAISARAH) function within this framework. The RMD also functions as an interface between the management and the Board in defining appropriate risk tolerance levels for various business lines and operating divisions of the Bank and in ensuring that policies and procedures are tailored to the defined tolerance levels.

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

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

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

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

#### 6.4 Property Interests of the Bank

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

#### 6.5 Sources of Financing and Debt Equity Ratio

The main sources for financing are Shareholders' equity, subordinated loans and customer deposits.

(in RO '000)

Particulars	As on 30 September 2017	As on 31 December 2016
Due to banks	244,292	350,549
Deposits from customers	3,101,549	2,885,189
Other liabilities	98,125	128,430
<b>Total Short Term Debt</b>	<b>3,443,966</b>	<b>3,364,168</b>
Subordinated loans	88,875	53,875
<b>Total Long Term Debt</b>	<b>88,875</b>	<b>53,875</b>
<b>Total Debt</b>	<b>3,532,841</b>	<b>3,418,043</b>
<b>Shareholders' equity</b>		
Share capital	204,164	189,920
Share premium	59,618	59,618
Special reserve	18,488	18,488
Legal reserve	45,176	45,176
Subordinated loan reserve	31,550	31,550
Investment revaluation reserve	646	1,459
Retained earnings	63,243	72,289
<b>Total equity attributable to the equity holders of the Bank</b>	<b>422,885</b>	<b>418,500</b>
Perpetual Tier 1 Capital Securities	115,500	115,500
<b>Total equity</b>	<b>538,385</b>	<b>534,000</b>
Total financing sources	4,071,226	3,952,043
Total Debt/ Equity attributable to the equity holders	8.35	8.17

## 6.6 Contingent liabilities

Credit related contingent items

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

(in RO '000)

	30 September 2017	2016	2015	2014
Letters of credit	131,459	125,671	133,358	87,680
Guarantees and performance bonds	866,419	920,277	710,960	628,395
<b>Total</b>	<b>997,878</b>	<b>1,045,948</b>	<b>844,318</b>	<b>716,075</b>

At 31 December 2016, letters of credit, guarantees and other commitments amounting to RO 262,163,000 (2015: RO 110,893,000) are counter guaranteed by other banks.

At 31 December 2016, the unutilised limits towards the loans, advances and financing to customers amounts to RO 832,992,000 (2015: RO 881,398,000).

## 6.7 Internal Audit

There were no major adverse unresolved observations arising from the internal audit of the Bank during the year ended 31<sup>st</sup> December 2016.

## 6.8 Employee Details

As on 30 September 2017, total number of staff were 1,508 and Omanisation was 92.37%.

## 6.9 Audit / CBO Inspection

There has been no material observation from regulators.

## 6.10 Legal Proceedings

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

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

## CHAPTER 7 - HISTORICAL FINANCIAL STATEMENTS

Details of historical financial data from 2014 to 30 September 2017 are provided below. For full financial statements of the Bank, please visit the MSM website [www.msm.gov.om](http://www.msm.gov.om) or the Bank's website [www.bankdhofar.com](http://www.bankdhofar.com).

### PROFIT AND LOSS STATEMENT

(in RO '000)

	9 months ended 30 September 2017	2016	2015	2014
Interest income	119,459	141,536	118,173	106,782
Interest expense	(56,551)	(50,750)	(33,695)	(33,202)
<b>Net interest income</b>	<b>62,908</b>	<b>90,786</b>	<b>84,478</b>	<b>73,580</b>
Income from Islamic financing	13,555	12,774	7,683	3,625
Unrestricted investment account holders' share of profit	(7,512)	(5,900)	(1,954)	(417)
<b>Net income from Islamic financing and investment activities</b>	<b>6,043</b>	<b>6,874</b>	<b>5,729</b>	<b>3,208</b>
Fees and commission income	15,186	17,878	17,019	13,483
Fees and commission expense	(2,716)	(3,169)	(1,729)	(1,335)
<b>Net fees and commission income</b>	<b>12,470</b>	<b>14,709</b>	<b>15,290</b>	<b>12,148</b>
Other income	12,693	14,982	9,729	9,915
<b>Operating income</b>	<b>94,114</b>	<b>127,351</b>	<b>115,226</b>	<b>98,851</b>
Staff and administrative costs	(41,559)	(53,360)	(47,862)	(42,580)
Depreciation	(2,498)	(3,407)	(3,337)	(3,583)
<b>Operating expenses</b>	<b>(44,057)</b>	<b>(56,767)</b>	<b>(51,199)</b>	<b>(46,163)</b>
<b>Profit from operations</b>	<b>50,057</b>	<b>70,584</b>	<b>64,027</b>	<b>52,688</b>
Provision for loan impairment	(13,195)	(19,925)	(14,305)	(11,658)
Recoveries from allowance for loan impairment	4,412	5,364	5,522	4,724
Bad debts written-off	(1)	(1)	(1)	-
Impairment of available-for-sale investments	(340)	(1,593)	(2,742)	-
<b>Profit from operations after provision</b>	<b>40,933</b>	<b>54,429</b>	<b>52,501</b>	<b>45,754</b>
Income tax expense	(6,140)	(6,807)	(5,736)	(5,301)
<b>Profit for the year</b>	<b>34,793</b>	<b>47,622</b>	<b>46,765</b>	<b>40,453</b>
Earnings per share basic and diluted (Rial Omani)	0.015	0.023	0.024	0.026

**BALANCE SHEET**

(in RO '000)

	30 September 2017	2016	2015	2014
<b>Assets</b>				
Cash and balances with Central Bank of Oman	255,903	265,889	439,833	584,370
Loans, advances and financing to banks	288,211	340,060	138,036	91,164
Loans, advances and financing to customers	3,175,026	2,988,592	2,729,306	2,254,705
Available-for-sale investments	36,042	36,236	35,802	26,886
Held-to-maturity investments	242,307	218,535	169,391	149,988
Intangible asset	1,291	1,589	1,986	2,383
Property and equipment	8,583	8,328	8,795	9,683
Other assets	63,863	92,814	69,912	74,948
<b>Total assets</b>	<b>4,071,226</b>	<b>3,952,043</b>	<b>3,593,061</b>	<b>3,194,127</b>
<b>Liabilities</b>				
Due to banks	244,292	350,549	308,864	175,013
Deposits from customers	3,101,549	2,885,189	2,592,371	2,482,179
Other liabilities	98,125	128,430	111,422	107,742
Subordinated loans	88,875	53,875	103,875	103,875
<b>Total liabilities</b>	<b>3,532,841</b>	<b>3,418,043</b>	<b>3,116,532</b>	<b>2,868,809</b>
<b>Shareholder's equity</b>				
Share capital	204,164	189,920	154,473	134,324
Share premium	59,618	59,618	40,018	40,018
Special reserve	18,488	18,488	18,488	18,488
Legal reserve	45,176	45,176	40,214	35,537
Subordinated loan reserve	31,550	31,550	62,025	41,250
Investment revaluation reserve	646	1,459	327	(46)
Retained earnings	63,243	72,289	45,484	55,747
<b>Total equity attributable to the equity holders of the Bank</b>	<b>422,885</b>	<b>418,500</b>	<b>361,029</b>	<b>325,318</b>
Perpetual Tier 1 Capital Securities	115,500	115,500	115,500	-
<b>Total equity</b>	<b>538,385</b>	<b>534,000</b>	<b>476,529</b>	<b>325,318</b>
<b>Total liabilities and equity</b>	<b>4,071,226</b>	<b>3,952,043</b>	<b>3,593,061</b>	<b>3,194,127</b>
Net assets per share (Rial Omani)	0.207	0.220	0.234	0.242

**STATEMENT OF CASH FLOWS**

(in RO '000)

	9 months ended 30 September 2017	2016	2015	2014
<b>Operating activities</b>				
Interest, financing income, commission and other receipts	148,351	176,109	145,569	129,793
Interest payments, return on Islamic banking deposits	(60,460)	(48,037)	(36,171)	(33,639)
Cash payments to suppliers and employees	(42,944)	(64,813)	(39,817)	(51,397)
	<b>44,947</b>	<b>63,259</b>	<b>69,581</b>	<b>44,757</b>
<b>Decrease in operating assets</b>				
Loans, advances and financing to customers	(195,217)	(273,849)	(483,384)	(359,729)
Loans, advances and financing to banks	23,572	(211,520)	(4,688)	(12,117)
Receipts from treasury bills and certificates of deposits (net)-	(52,637)	(39,528)	(154)	(15,416)
	<b>(224,282)</b>	<b>(524,897)</b>	<b>(488,226)</b>	<b>(387,262)</b>
<b>Increase in operating liabilities</b>				
Deposits from customers	216,360	292,818	110,192	450,433
Due to banks	(106,123)	42,456	132,960	68,478
	<b>110,237</b>	<b>335,274</b>	<b>243,152</b>	<b>518,911</b>
Net cash from operating activities	(69,098)	(126,364)	(175,493)	176,406
Income tax paid	(5,733)	(6,212)	(5,392)	(7,580)
<b>Net cash used in operating activities</b>	<b>(74,831)</b>	<b>(132,576)</b>	<b>(180,885)</b>	<b>168,826</b>
<b>Investing activities</b>				
Investment income	5,481	3,795	2,856	1,960
Purchase of investments	(9,124)	(7,191)	(9,976)	(12,786)
Proceeds from sale of investments	8,165	6,296	1,629	8,827
Dividend received	352	798	718	757
Purchase of property and equipment	(2,498)	(3,161)	(2,586)	(2,410)
Proceeds from sale of property and equipment	56	269	176	186
<b>Net cash from / (used in) investing activities</b>	<b>2,432</b>	<b>806</b>	<b>(7,183)</b>	<b>(3,466)</b>
<b>Financing activities</b>				
Subordinated loan	35,000	(50,000)	-	28,875

Proceeds from issue of perpetual tier 1 capital securities	-	-	115,500	-
Proceeds from rights issue of share capital, net	-	39,800	-	-
Additional tier 1 coupon	(3,956)	(7,912)	(3,956)	-
Perpetual tier 1 capital securities issuance cost	-	-	(755)	-
Dividend paid	(25,639)	(23,171)	(6,716)	(16,942)
<b>Net cash (used in) / from financing activities</b>	<b>5,405</b>	<b>(41,283)</b>	<b>104,073</b>	<b>11,933</b>
<b>Net change in cash and cash equivalents</b>	<b>(66,994)</b>	<b>(173,053)</b>	<b>(83,995)</b>	<b>177,293</b>
Cash and cash equivalents at the beginning of the year	345,500	518,553	602,548	425,255
<b>Cash and cash equivalents at the end of the year</b>	<b>278,506</b>	<b>345,500</b>	<b>518,553</b>	<b>602,548</b>
Cash and balances with Central Bank of Oman	255,903	265,889	439,833	584,370
Capital deposit with Central Bank of Oman	(500)	(500)	(500)	(500)
Loans, advances and financing to banks due within 90 days	23,887	52,164	61,660	19,476
Treasury bills within 90 days	-	28,865	19,249	-
Due to banks within 90 days	(784)	(918)	(1,689)	(798)
<b>Cash and cash equivalents for the purpose of the cash flow statement</b>	<b>278,506</b>	<b>345,500</b>	<b>518,553</b>	<b>602,548</b>

**STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2017**

(in RO '000)

	Share capital	Share premium	Special reserve	Legal reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital security	Total equity
<b>Balances as at 1<sup>st</sup> January 2017</b>	189,920	59,618	18,488	45,176	31,550	1,459	72,289	418,500	115,500	534,000
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	-	34,793	34,793	-	34,793
<b>Other comprehensive income for the period</b>										
Net change in fair value of available-for-sale investments	-	-	-	-	-	(983)	-	(983)	-	(983)
Transfer to statement of comprehensive income on sale of available-for-sale investments	-	-	-	-	-	(170)	-	(170)	-	(170)
Impairment of available-for-sale investments	-	-	-	-	-	340	-	340	-	340
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(813)	34,793	33,980	-	33,980
<b>Transactions with owners recorded directly in equity</b>										
Additional Tier 1 coupon	-	-	-	-	-	-	(3,956)	(3,956)	-	(3,956)
Dividend for 2016	-	-	-	-	-	-	(25,639)	(25,639)	-	(25,639)
Bonus shares issued for 2016	14,244	-	-	-	-	-	(14,244)	-	-	-
<b>Balances as at 30 September 2017 (Unaudited)</b>	204,164	59,618	18,488	45,176	31,550	646	63,243	422,885	115,500	538,385

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2016**

(in RO '000)

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

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2015**

(in RO '000)

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

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2014**

(in RO '000)

	Share capital	Share premium	Special reserve	Legal reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital security	Total equity
<b>Balances as at 1 January 2014</b>	121,013	40,018	18,488	31,492	26,250	1,754	64,592	303,607	-	303,607
<b>Total comprehensive income for the year</b>										
Profit for the year	-	-	-	-	-	-	40,453	40,453	-	40,453
<b>Other comprehensive income for the year</b>										
Net change in fair value of available-for-sale investments	-	-	-	-	-	(1,159)	-	(1,159)	-	(1,159)
Transfer to statement of income on sale of available-for-sale investments	-	-	-	-	-	(641)	-	(641)	-	(641)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(1,800)	40,453	38,653	-	38,653
Transfer to legal reserve	-	-	-	4,045	-	-	(4,045)	-	-	-
Transfer to subordinated loan reserve	-	-	-	-	15,000	-	(15,000)	-	-	-
<b>Transactions with owners recorded directly in equity</b>										
Dividend paid for 2013	-	-	-	-	-	-	(16,942)	(16,942)	-	(16,942)
Bonus shares issued for 2013	13,311	-	-	-	-	-	(13,311)	-	-	-
<b>Balances as at 31 December 2014</b>	134,324	40,018	18,488	35,537	41,250	(46)	55,747	325,318	-	325,318

## CHAPTER 8 - SHARE PRICE MOVEMENT AND DIVIDEND POLICY

The following table illustrates the movement in the share price of the Bank for the period from 2014 to 30 September 2017 -

### 8.1 Share Price Movement (Value in RO)

Year	Opening	High	Low	Closing
<b>2014</b>				
Q1	0.360	0.386	0.306	0.334
Q2	0.332	0.386	0.302	0.382
Q3	0.382	0.400	0.370	0.384
Q4	0.384	0.384	0.280	0.354
<b>2015</b>				
Q1	0.354	0.370	0.284	0.285
Q2	0.285	0.295	0.272	0.280
Q3	0.280	0.283	0.230	0.235
Q4	0.235	0.250	0.206	0.214
<b>2016</b>				
Q1	0.210	0.290	0.207	0.242
Q2	0.246	0.260	0.229	0.232
Q3	0.232	0.259	0.226	0.226
Q4	0.222	0.232	0.205	0.230
<b>2017</b>				
Q1	0.230	0.270	0.220	0.221
Q2	0.221	0.240	0.220	0.221
Q3	0.224	0.226	0.205	0.212

Source - MSM

### 8.2 Dividend policy

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

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

The Bank may opt to distribute bonus shares / stock dividend. The objective of such action would be to increase the paid up capital of the Bank, and to convert the retained earnings into paid up capital. Such bonus shares may be issued at par or at a premium. All premiums will be booked as share premium and will be disclosed separately in the financial statements.

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

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

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

## CHAPTER 9 - PRICE JUSTIFICATION

The Bank is a well-established and growing commercial bank in Oman with an established track record of operations and profits.

Taking into account various qualitative and quantitative factors like market standing, market share, brand value, quality of the assets, business growth, current performance, profitability, future outlook of the banking sector and the Bank, the Bank believes that the Rights Issue is in the best interest of the Bank and the Shareholders.

### 9.1 Qualitative Factors

- i) The Bank is one of the leading commercial banks in Oman.
- ii) As on 30 June , 2017, the Bank has a market share of about 13.9% in customer deposits and about 13.6% in net loans in Oman (*Source: GBCM research*).
- iii) The Bank is managed by a professionally qualified and highly experienced management team.
- iv) The net loan book of the Bank has grown at a CAGR of about 15.5% from 2010 to 2016 while the customer deposits have grown at a CAGR of about 15% in the same period.
- v) The Bank has a long history of profitability which has grown consistently to reach RO 47.6 million in 2016.
- vi) The Bank has an impressive track record of rewarding its shareholders well through both cash dividends and stock dividends.

### 9.2 Quantitative Factors

#### 9.2.1 Average Share Price

Period ended 30 September 2017	Average Closing Price (Bzs)	Discount of Issue Price to avg. closing price
1-month average closing price	210	11.9%
3-month average closing price	215	14.0%
6-month average closing price	222	16.7%
1 year average closing price	229	19.2%

*Source: MSM, Bloomberg, GBCM research*

The Subscription Price of Bzs 185 per share is at a discount of 11.9% to the 1-month average closing price and is at a higher discount of almost 16.7% to the 6-month average closing price of Bzs 222. The discount to the 1-year average closing price is 19.2%. The discount to the market price as of 30 September 2017 (Bzs 212) is around 12.7%.

## 9.2.2 Historical Financial Performance of the Bank

	RO Million			
	30 September 2017	2016	2015	2014
Total Assets	4,071.23	3,952.04	3,593.06	3,194.13
Loans, advances and financing to customers	3,175.03	2,988.59	2,729.31	2,254.71
Deposits from customers	3,101.55	2885.19	2,592.37	2,482.18
Operating Income	94.11	127.35	115.23	98.85
Operating Profit	50.06	70.59	64.03	52.69
Net Profit	34.79	47.62	46.77	40.45
Capital Adequacy	14.61%	14.41%	14.70%	14.05%

The Bank continued to grow in all key areas in the year 2016 despite the current economic and financial situation driven by volatile oil prices in 2016. The net loans, advances and financing to customers increased by 9.52% from RO 2.73 billion on 31 December 2015 to reach RO 2.99 billion on 31 December 2016. The customer deposits mobilized by the bank achieved a growth of 11.58% from RO 2.59 billion on 31 December 2015 to reach RO 2.89 billion on 31 December 2016. The Total assets improved by 10.02% from RO 3.59 billion on 31 December 2015 to reach RO 3.95 billion on 31 December 2016.

The key profitability indicators also showed positive growth with net interest and financing income achieving growth of 8.26% to reach RO 97.66 million for the year ended 31 December 2016 as compared to RO 90.21 million achieved for the year ended 31 December 2015. Non-interest and non-financing income such as fees and commission, foreign exchange profit, investment and other income have grown 18.67% to reach RO 29.69 million for the year ended 31 December in 2016 as compared to RO 25.02 million achieved in the previous year. This strong growth in the current market condition reinforces the trust and confidence of customers towards BankDhofar's products and services.

## CHAPTER 10 - RELATED PARTY TRANSACTIONS

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

(in RO '000)

	9 months ended 30 September 2017	2016	2015
<b>Loans and advances</b>			
Directors and shareholders holding 10% or more interest in the Bank	38,250	52,880	34,559
Other related parties	15,459	11,667	11,943
	<b>53,709</b>	<b>64,547</b>	<b>46,502</b>
<b>Subordinated loans</b>			
Directors and shareholders holding 10% or more interest in the Bank	36,663	21,663	48,663
Other related parties	31,775	17,775	40,775
	<b>68,438</b>	<b>39,438</b>	<b>89,438</b>
<b>Deposits and other accounts</b>			
Directors and shareholders holding 10% or more interest in the Bank	185,246	264,633	257,649
Other related parties	153,236	139,414	82,517
	<b>338,482</b>	<b>404,047</b>	<b>340,166</b>
<b>Contingent liabilities and commitments</b>			
Directors and shareholders holding 10% or more interest in the Bank	856	793	142
Other related parties	2,696	2,210	1,618
	<b>3,552</b>	<b>3,003</b>	<b>1,760</b>
<b>Remuneration paid to Directors</b>			
Chairman			
- remuneration proposed	16	16	16
- sitting fees paid	9	10	10
Other Directors			
- remuneration proposed	107	107	107
- sitting fees paid	58	67	71
	<b>190</b>	<b>200</b>	<b>200</b>
<b>Other transactions</b>			
Rental payment to related parties	363	471	468
Other transactions	66	84	79
Remuneration and fees proposed to Sharia' Board of Islamic Banking Window	46	43	38
<b>Key management compensation</b>			
- salaries and other benefits	-	1,371	1,235

## CHAPTER 11 - RISK FACTORS AND MITIGANTS

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

*The following risk factors are not comprehensive or exhaustive, as additional risks and uncertainties not presently known or that the Bank currently believes to be of minimal significance may also have an impact on the Bank and its proposed operations. Unless otherwise stated in the relevant risk factors set out below, the Bank is not in a position to specify or quantify the financial or other risks mentioned herein. If any of these uncertainties develop into an actual event, the Bank's proposed operations and actual results could differ materially. It should also be noted that the Bank shall to the extent possible continue to undertake steps and/or measures necessary in order to mitigate the risks referred to below apart from those that may be caused by factors that are beyond the Bank's control, including, in particular, factors of a political and economic nature.*

*Applicants should consider carefully whether an investment in the Offer Shares is suitable for them in light of the information in this Prospectus and their individual circumstances before the investment decision is made. Applicants are advised to make, and will be deemed by the Bank to have made, their own investigations in relation to such factors before making any investment decision*

### 11.1 Risk Factors specific to the Bank and proposed Mitigants

**11.1.1 Business risk:** The banking business is subject to various risks that may have a significant impact on the performance of the Bank. Some of these risks include credit risk, liquidity risk, interest rate risk, asset price risk and foreign exchange risk. Any unexpected or sustained adverse developments in these areas could adversely impact the performance and stability of the Bank.

**Mitigant:** The Bank already has in place appropriate risk management policies and procedures to address these issues so that these do not have a material adverse impact on the Bank's long term prospects., These policies and procedures are subject to examination by the Bank's internal auditors, compliance, external auditors and regulators and are reviewed and updated at regular intervals.

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

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

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

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

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

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

**11.1.5 Operational risks:** Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorizations, failure to comply with regulatory requirements and business rules, failure of internal systems, equipment and external systems (for instance, those of the Bank's counterparties or vendors) and the occurrence of natural disasters. Although the Bank has implemented risk controls and loss mitigation strategies and substantial resources have been devoted to developing efficient procedures, it is not possible to eliminate in their entirety any of these or any other operational risks.

**Mitigant:** The Bank already has in place appropriate risk management policies and procedures to address these issues so that these do not have a material adverse impact on the Bank's operations should the risks materialize.

**11.1.6 Liquidity risks:** Liquidity risk is the risk that the Bank will be unable to meet its funding requirements. Liquidity risks could arise from the inability of the Bank to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on the Bank's ability to meet its obligations when they fall due.

**Mitigant:** The Bank has established its own network of relations with other banks, both locally and internationally, to mitigate this risk. Furthermore, the Bank maintains liquid assets at prudent levels to ensure that cash can be made available quickly to honour its obligations, even under adverse conditions. To further address liquidity risk, the Bank's management has established liquidity monitoring procedures and is diversifying the Bank's funding sources in terms of origin, instruments and tenor. In addition, the Bank maintains credit lines from banks and financial institutions, depending upon the need.

## 11.2 Risk Factors relating to the Market in which the Bank Operates

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

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

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

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

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

**Mitigant:** In general, the Bank aims to make foreign currency loans on terms that are generally similar to its foreign currency borrowings, thereby naturally hedging its exposure. Where this is not possible, it generally employs cross currency forwards, options and swaps to match the currencies of its assets and liabilities. Any open currency position is maintained within the limits set by the CBO and the Bank's internal policies.

### 12.1 CORPORATE GOVERNANCE STRUCTURE & PHILOSOPHY

- Corporate governance is an essential element in attaining, enhancing and retaining confidence of the Bank's stakeholders. Corporate governance lays down the relationship and responsibilities between shareholders, board of directors and senior management of the Bank through the structure of setting objectives, formulating strategies, controlling and monitoring performance while ensuring compliance with regulations in letter and spirit and promoting a culture of transparency through disclosures and commitment to highest ethical standards.
- The Board bears the principal responsibility of designing the corporate governance policy as appropriate to the Bank within the broad framework enunciated by the CBO and the CMA.
- Decision-making within the Bank has been broadly divided into two levels. The Board at the apex level, as trustees of the Shareholders, bear the responsibility of strategic supervision of the Bank, apart from fulfilling statutory obligations. Some of the major responsibilities of the Board are discharged through six sub-committees, viz. the Board Credit Committee, Board Audit Committee, Board Risk Management Committee, Board Nomination & Remuneration Committee, Board Capital, Funding & Investment Committee and Board Strategy, Merger, IT & Transformation Committee. These sub-committees which operate under Board approved charters have been meeting regularly and have contributed significantly to the effective functioning of the code of corporate governance regime. The charters of these committees meet with all the requirements as laid down in the Code. In addition, the Board carries the responsibility of approving the strategic plans and internal policies to institute adequate controls for achievement of the set objectives and compliance with rules and regulations. The executive management of the Bank comprises the senior managers headed by the Chief Executive Officer.
- Through this two-tiered interlinked governance process, a wholesome balance has been created between the need for focus and executive freedom, and the need for supervision, control and checks and balances of all activities and transactions.
- The formal Code prescribes the highest ethical standards in the conduct of the Bank's business. The senior members of the Bank are fully cognizant of their responsibilities in setting personal examples so that the Code is internalized within the Bank and becomes part of its culture.

### 12.2 THE BOARD

#### 12.2.1 Board of Directors

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

The responsibilities and functions of the Board include the following:

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

- forming various Board sub-committees, approving their charters and reviewing the functions of these committees;
- ensuring that the Bank conducts its operations in an ethical and transparent manner;
- assessing and approving the proper delegation of authorities to executive management;
- evaluating the functions and the performance of the chief executive officer and other key employees;
- ensuring that a robust Risk Management and Internal Control framework is in place;
- reviewing all audit reports submitted by internal and external auditors and statutory agencies;
- identifying, assessing, developing, assessment and succession planning for the Bank's senior management;
- exercising its collective mind independently on all policy matters and not be limited by the submissions or presentations made to it;
- ensuring that it has an organisational structure in place to provide adequate checks, balances and functionality for guarding licensed banks from the undue influence of any internal and external sources having a bearing on corporate governance; and
- recruiting and developing talented and capable senior management.

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

- (i) It is the responsibility of the Board to approve and monitor a risk management framework that reflects best practices and implements the risk management strategies approved by the Board, across all business activities and operations.
- (ii) Whilst the Board depends on the management's expertise to run a licensed bank's daily operations, it remains ultimately responsible for monitoring thereof. The Board is expected to exercise utmost caution to ensure that, while bearing of ultimate responsibility for monitoring operations, it does not overstep into the jurisdiction of the management (constricting their freedom of operation).

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

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

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

### 12.2.2 Board of Directors' Profiles

#### **H.E. Eng. Abdul Hafidh Salim Rajab Al Aujaili**

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

#### **Sheikh Hamoud bin Mustahail Al Mashani – Vice Chairman**

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

#### **Sheikh Qais bin Mustahail Al Mashani - Director**

Shaikh Qais bin Mustahail Al Mashani is a member of the Board of Directors. Other positions held by him include Vice Chairman of Dhofar Insurance Co, Vice Chairman of Ports Services Corporation and Director of Dhofar Int. Development & Investment Holding Co (DIDIC). Shaikh Qais holds a Bachelor Degree from University of Yarmouk and Higher Qualification from Oxford Academy.

#### **Mr. Ahmed bin Said Al Mahrezi- Director**

Mr. Ahmed Said Al Mahrezi is a member of the Board of Directors. He is also the Chairman of the Risk Committee of the Board, a member of the Audit Committee of the Board, a member of the Board Capital, Funding & Investment Committee and a member of the Board Strategy, Merger, Information & Transformation Committee. He has extensive experience in the public sector in Law, Finance, Investment & Administration, extending over a period of more than 25 years. He has been a Director of International Company for Hotels Management. Mr. Ahmed holds a Master of International Commercial Law and a Bachelor of Law.

#### **Mr. Mohammed bin Yousuf Al Ibrahim - Director**

Mr. Mohammed bin Yousuf Al Ibrahim is a member of the Board of Directors. He is also a member of the Credit Committee of the Board, Chairman of the Board Capital, Funding & Investment Committee and member of the Board Risk Management Committee. He has extensive experience in Directorship of private and public companies. His diverse portfolio includes being Shareholder, Executive & Managing Director of various private companies & Establishments. He has been a Director of Dhofar University and Director of Raysut Cement Co. Mr. Mohammed holds a Bachelor of Business Administration.

#### **Mr. Tariq Abdul Hafidh Al Aujaili- Director**

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

#### **Eng. Abdul Sattar bin Mohammed Al Murshidi - Director**

Eng. Abdul Sattar bin Mohammed Al Murshidi is a member of the Board of Directors. He is a member of the Credit Committee of the Board, a member of the Nomination & Remuneration Committee of the Board and Chairman of the Strategy, Merger, IT & Transformation Committee of the Board. He has a successful career with Petroleum Development Oman (PDO) over the past 25 years in the fields of Well Drilling, Corporate Appraisal & Management Information, Corporate Technology Management and Business Support Management. Eng. Abdul Sattar holds a Bachelor of Civil Engineering.

#### **Mr. Zakariya Mubarak Al Zadjali - Director**

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

### **Mr. Hamdan Abdul Al Hafidh Farsi - Director**

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

### **12.2.3 Rules and Conditions for Election of Directors**

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

Appointments to the Board that do not follow the above procedure will be null and void from the date of election and the Board of Directors will call a General Meeting to elect another member within a maximum of one month from the date of annulment and the Bank shall have the right to demand compensation for the losses from the member and anyone who facilitated his/her appointment.

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

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

In addition:

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

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

CBO Regulation "BM/REG/46/2/99" titled Appointment of directors of licensed banks, deals with the

appointment of directors of Omani licensed banks. Article 2 sets out a procedure which the CBO requires licensed banks to observe when appointing directors and includes providing nominees with certain prerequisites which are to be applied in determining whether a proposed director is “fit and proper.”

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

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

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

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

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

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

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

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

- While assuming the membership of the board of directors, an undertaking is required to be signed which contains that the appointee director has:
  - read and understood all the laws and regulations of Oman pertaining to the commercial companies and banks; and
  - ensured compliance with those laws and regulations.
- While vacating the office of a director, a declaration is required to be signed by the member of the board which contains the following:
  - a statement that the operations of the bank have been conducted satisfactorily without any intentional errors and/or lapses; and
  - specified operations which in his opinion were detrimental to the bank’s interests and reputation.

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

### 12.3 BRIEF PROFILE OF SENIOR MANAGEMENT

#### **Abdul Hakeem Al Ojaili, Chief Executive Officer**

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

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

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

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

#### **Kamal Hassan Al Murazza, General Manager and Chief Wholesale Banking Officer**

Mr. Al Murazza is an experienced corporate banker who has served the Bank in various positions from 2000 to 2006 and served HSBC Muscat Corporate Banking as a Unit Head from 2006 to 2007. He then held a position as Assistant General Manager for Corporate Banking at Bank Sohar from 2007 to 2010, after which he joined the Bank in 2010 as Chief Wholesale Banking Officer. In February 2017 he was promoted to his current position as General Manager and Chief Wholesale Banking Officer.

Mr. Al Murazza is a member of the Bank's Asset and Liability Management Committee, the Information Technology Committee and sits as Deputy Chairman of the Management Credit Committee, Deputy Chairman of the Management Risk Committee. He is the Chairman of Human Resources Management Committee and the Chairman of the Disciplinary Committee.

Mr. Al Murazza has more than 17 years of experience in corporate banking, relationship management, sales and marketing, risk management, and business strategies.

Mr. Al Murazza holds a Bachelor's degree from the University of Missouri Saint Louis-Missouri, USA and attended several specialized banking programmes in the country as well as internationally. He is also an alumni of Harvard Executive Education Program.

#### **Ahmed Said Al Ibrahim, General Manager & Chief Support Services Officer**

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

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

### **Faisal Hamad Al Wahaibi, General Manager & Chief Retail Banking Officer**

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

Mr. Al Wahaibi has more than 24 years of experience in strategic planning, relationship management, customer experience, budgeting, planning, funding, regulatory affairs, outsourcing and restructuring, cost control and reduction, sales, marketing, distribution, staff development, customer retention strategies, telecommunications, operations, retail and accounts with organisations such as BankMuscat, MENA Business Services Dubai and Omantel.

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

### **Shankar Sharma, Chief Financial Officer**

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

Mr. Sharma sits on various management-level committees including, the Asset and Liability Management Committee (Deputy Chair), Human Resources Management Committee (Deputy Chair), Purchase Committee (Deputy Chair), Information Technology Steering Committee (Deputy Chair), Business Continuity Management Steering Committee (Deputy Chair), Investment Management Committee and Management Risk Committee.

Mr. Sharma comes with rich experience in the financial services industry including his leadership role as Chief Executive Officer of Arab Financial Services B.S.C. (AFS), Bahrain, a regulated financial institution and regional leader in payments processing in the Middle East. Prior to his role as Chief Executive Officer of AFS, he was Chief Financial Officer of the company.

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

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

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

### **Nasser Said Al Bahantah, Chief Human Resources Officer**

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

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

Mr. Al Bahantah is responsible for the strategic leadership of the Human Resources functions of the Bank. He

has a wealth of experience particularly in the financial services sector where he served as DGM & Chief Human Resources Officer (CHRO) of National Bank of Oman and AGM & Chief Human Resources Officer of Bank Al Jazira, based in Jeddah, KSA.

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

**Osama Fathi Abdallah Al Mansour, Deputy General Manager - Head of Transformation.**

Mr. Al-Mansour joined the Bank's senior management team in April 2015, to head the newly-created transformation division.

Mr. Al-Mansour has 25 years of experience in Consulting, Banking and Financial Services covering both conventional banking and Islamic banking. He has led and managed major restructuring and Enterprise transformation program in leading financial institutions in the GCC and Levant regions. He has previously held senior roles, including Group Head Support and Transformation at Bank Al-Jazira (Saudi Arabia), Chief Operating Officer, International Banking Group, National Bank of Kuwait (Kuwait) and Head of Transformation at Arab Bank Plc., Jordan and Jordan Kuwait Bank (Jordan).

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

**Bashir Al Subhi, Assistant General Manager (Treasury & Financial Institutions)**

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

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

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

**Shaleen Chugh, Deputy General Manager - Corporate Banking**

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

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

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

#### **Sohail Niazi, Chief Executive - Maisarah Islamic Banking Services**

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

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

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

#### **Ismail Jama Ismail Bait Ishaq, Chief Operating Officer - Maisarah Islamic Banking Services**

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

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

#### **Hussain Ali Ibrahim Al Lawati, Assistant General Manager & Head of Business Banking**

Mr. Al Lawati Joined the Bank in 2014 as Head of Corporate Marketing and Business Development and thereafter was promoted to Assistant General Manager in 2015. Prior to joining the Bank, he served several reputed banks in Oman in various roles. In addition to his responsibilities, Hussain is also a member of the Credit Committee in Al Rafd Fund, responsible for analyzing and evaluating SME loan applications.

Mr. Al Lawati holds a Bachelor's degree in accounting from Mumbai University and he is a certified expert in SME Finance from Frankfurt School of Finance & Management, Germany. He also holds a Diploma in Management from Institute of Leadership & Management, UK and a certificate in Leading Strategy Execution in Financial Services, from Harvard Business School.

#### **Mohammed Iqbal Al Balushi, Assistant General Manager (Central Operations & Support Services)**

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

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

#### **Hani Macki, Assistant General Manager (Strategy & Planning)**

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

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

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

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

**Dr. Tariq Taha, Assistant General Manager (Chief Information & Technology Officer)**

Dr. Taha joined the Bank in 2012 in the capacity of Chief Information and Technology Officer. Information and Technology comprises the EPMO, the Information Technology Division and the Information Security Department. Dr. Taha sits on the Bank’s Management Executive Committee, the Management Risk Committee, the Business Continuity Management Steering Committee and the Information Technology Committee. Dr. Taha also chairs Oman Bankers Association Technology committee.

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

**Mohammed Al Reyami, Assistant General Manager (Internal Audit)**

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

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

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

**Ranganathan Palanhandalum Madapusi, Head of Risk Management**

Mr. Madapusi joined the Bank in July 2007 as Head of Risk Management responsible for the entire risk management function of the Bank and reports to the Risk Management Committee of the Board of Directors. Prior to joining the Bank he was Assistant General Manager, heading the integrated risk management department in one of the largest public sector banks in India.

Mr. Madapusi is a member of the majority of the management-level committees, including the Asset and Liability Management Committee, Management Credit Committee, Investment Management Committee, Management Risk Committee, Human Resources Management Committee and is also a member of the Board Level Credit Committee. As Head of Risk Management he convenes the meetings of the Risk Management Committee of Board of Directors.

Mr. Madapusi has more than 37 years of banking experience which includes experience in the areas of large credit, heading large branches, foreign exchange operations, annual budgeting, audit & investigations and risk management. He has 16 years of experience in risk management. He was also a member in the working group for Basel II implementation formed by the Reserve Bank of India and Central Bank of Oman. He has been placed as one of the leading Risk Management Professional by Asian Bankers for his leadership in risk management that goes beyond any specific area and making his role have a direct influence on the board. His contributions to the domestic or regional or international bodies were also recognized by Asian Bankers.

He holds a Bachelor’s degree in Mathematics from Madras University and is an Associate member of the Indian institute of Bankers.

### **Issam Mohsin Al Balushi, Assistant General Manager & Head of Compliance**

Mr. Al Balushi joined the Bank in 2009, to head policies and procedures department of the bank responsible for designing bank's internal governance framework. In 2015, Mr. Al Balushi, was promoted to head the compliance department in the Bank

Prior to joining the Bank, Mr. Al Balushi worked in banks and served as an onsite banking examiner at the Central Bank of Oman, where he was a part of financial institutions examination teams responsible for evaluating the performance of financial institutions and recommending diagnostic solutions.

Mr. Al Balushi earned a post-graduate degree in International Trade from Victoria University, Australia, is a Certified Internal Auditor (CIA) and holds a post graduate International Diploma in Compliance from the International Compliance Association (ICA) in association with Manchester Business School. Throughout his career, Mr. Al Balushi has been engaged in trainings with leading organizations including the Federal Reserve, the FDIC and Harvard Business School.

### **Ms. Amina Nasser Mohammed Al Falahi - Assistant General Manager & Head of Government Relations**

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

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

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

## **12.4 BOARD SUB-COMMITTEES**

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

- Board Credit Committee
- Board Audit Committee
- Board Risk Management Committee
- Board Nomination & Remuneration Committee
- Board Capital, Funding & Investment Committee
- Board Strategy, Merger, IT & Transformation Committee

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

### **12.4.1 Roles of Board Committees**

#### **Board Credit Committee (BCC)**

The BCC comprises four members of the Board of Directors and meets as and when there is a business need, which is typically every 15 days. The BCC is responsible for approving certain credit approvals and overseeing the Bank's credit policy framework. The responsibilities of the BCC include reviewing and approving specific transactions up to the Bank's permitted risk limits, in particular those which exceed the authority of the senior management.

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

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

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

### **Board Risk Management Committee (BRMC)**

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

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

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

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

### **Board Nomination & Remuneration Committee (BNRC)**

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

The BNRC meets at least four times a year.

### **Board Capital, Funding & Investment Committee**

The Board Capital, & Funding & Investment Committee comprises of four members and is tasked with reviewing and setting the direction on the capital and funding requirements of the Bank to ensure compliance with the CBO and Basel guidelines. It is also responsible for reviewing and setting the direction of the non-capital long-term funding requirements of the Bank, that is typically issued and listed in international or local markets, in addition to capital requirements.

The BCFIC also oversees the management practices on investment matters. It monitors the Bank's investments and ensures that the Bank complies with its policies and regulatory requirements. It also ensures that management undertakes appropriate measures to identify adverse trends in turn allowing the Committee to identify problems in the Bank's investment portfolio. The BCFIC also has the authority, as specified in the authority matrix, to approve investment matters and ancillary investment matters where relevant within other business activities of the Bank.

### **Board Strategy, Merger, Information & Transformation Committee (BSMITC)**

BSMITC oversees matters pertaining to strategy, information and transformation, and merger/s including and not limited to the following:

- Review information strategy, including emerging technology.
- Review major projects handled by Enterprise Project Management Office (EPMO).
- Review major technology decisions.
- Consider matters raised in Management's Information Technology Committee (ITC) meetings and update the Board as appropriate.

The committee is required to review and set the direction on BankDhofar's potential merger/s on behalf of the Board in compliance with CBO, CMA and MOCI and other regulators guidelines and regulations. BSMITC also have the powers to conduct and finalize negotiations in relation to the potential merger on behalf of the Board. Oversee the steps of the merger to its completion, subject to approval by shareholders and regulators.

### **The Shari'ah Supervisory Board (SSB)**

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

## **12.5 MANAGEMENT COMMITTEES**

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

### **Management Executive Committee (EXCO)**

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

The Committee shall meet monthly and/or as deemed required.

### **Management Credit Committee (MCC)**

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

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

#### **Management Risk Committee (MRC)**

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

The MRC meets at least four times a year.

#### **Asset and Liability Management Committee (ALCO)**

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

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

#### **Proprietary Investment Management Committee (PIMC)**

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

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

#### **Human Resources Management Committee (HRMC)**

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

The HRMC:

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

The HRMC meets on need basis.

#### **Disciplinary Committee (DC)**

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

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

#### **Purchase Committee (PC)**

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

The PC meets at least once a week.

#### **Information Technology Committee (ITC)**

The objective of the ITC is to ensure that a cohesive IT strategy is developed that caters to the IT requirements of the Bank. The ITC also reviews and monitors significant IT-related projects to derive the maximum benefit on IT spending.

The ITC meets at least twice a year.

#### **Business Continuity Management Steering Committee (BCMSC)**

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

### **12.6 COMPLIANCE WITH REGULATORY & CONTROL REQUIREMENTS**

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

### **12.7 SHAREHOLDERS CHANNELS OF CONTACT WITH SHAREHOLDERS & INVESTORS**

The financials of the Bank are available in digital form at the MSM website viz., [www.msm.gov.om](http://www.msm.gov.om). The quarterly, half yearly and annual results of the Bank are published in two national dailies, one in English and one in Arabic. The financials of the Bank are also available at the website of the Bank at [www.bankdhofar.com](http://www.bankdhofar.com)

## CHAPTER 13 - RIGHTS & LIABILITIES OF SHAREHOLDERS

This section summarizes the rights and liabilities of shareholders in an Omani public joint stock company, effective as at the date of this Prospectus. The description provided hereafter is only a summary and it neither purports to give a complete overview of the rights and liabilities of shareholders nor of the relevant provisions of Omani law or the CMA circulars. Additionally, this section should not be considered as legal advice regarding these matters. A copy of the Articles of Association is available at the corporate office of the Bank.

### 13.1 Shareholders' Liability

The liability of a Shareholder shall be limited to the payment of the value of the Offer Shares he subscribes for and he shall not be responsible for the debts of the Bank except within the limits of the par/nominal value of the Shares he subscribes for.

In the event new Shares are issued without stipulating the full payment of the value on subscription, payment of the remainder of each Share's value shall be effected at the time and in the manner to be determined by the Board in accordance with the applicable provisions of the CCL, provided that each Shareholder shall receive at least fourteen days' notice specifying the time and place of payment.

### 13.2 Shareholders' Rights

All the Shares shall enjoy equal and inherent rights in the ownership thereof which in accordance with the CCL are:

- i) the right to receive dividends declared by the general meeting;
- ii) the preferential right of subscription for new Shares;
- iii) the right to share in the distribution of the Bank's assets upon liquidation;
- iv) the right to transfer Shares in accordance with the applicable law;
- v) the right to inspect the Bank's balance sheet, profit and loss statement and register of Shareholders;
- vi) the right to receive notice of and the right to participate and vote in all General Meetings in person or by proxy (each Shareholder will have one vote for each ordinary share owned);
- vii) the right to apply for annulment of any resolution made by the general meetings or the Board of Directors, which is contrary to law or the Articles of Association or other internal regulations of the Bank;
- viii) the right to institute actions against the Directors and auditors of the Bank on behalf of the shareholders or on behalf of the Bank pursuant to Article 110 of the CCL; and
- ix) the right to approach the CMA (provided that the move is supported by Shareholders who own at least 5% of the Shares), to exercise its authority to suspend resolutions of the General Meeting which are passed in favour of or against any category of Shareholders or in the interests of the members of the Board or others.

### 13.3 Ownership & Transfer of Shares

Ownership and transfer of Shares shall be entered in the registers of the MCDC. The transfer of ownership shall also be entered into the registers which shall list the name and nationality of each Shareholder as well as its place of residence, the quantity of Shares he holds and their numbers. In the case of death of a Shareholder, the person whose name stands next in the register, where the deceased was a joint holder, shall be deemed by the Bank to be the representative of the joint owners of the Shares. If the deceased was a sole holder, his heirs shall be the only persons recognized by the Bank as having any title to his Shares, but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been held jointly by him with other persons.

#### **13.4 Reports and Statements to be sent to the Shareholders**

Within two months from the end of the financial year, the Board of Directors shall prepare the balance sheet of the Bank and a statement containing the Bank's profit and loss account after they have been audited by the Bank's auditors. The Board shall also prepare a report on the Bank's operations during the expired year and on the net profits proposed to be distributed. A copy of the balance sheet, the report of the Board of Directors and the report of the auditors shall, likewise, be sent to each Shareholder together with the invitation to attend the meeting of the ordinary annual General Meeting. The annual financial statements will also be disclosed through the electronic transmission system hosted on the MSM website.

The Board of Directors will also prepare unaudited quarterly financial statements for the first, second and third quarter of each Financial Year. These statements will also be disclosed through the electronic transmission system hosted on the MSM website.

The Bank will also have the un-audited quarterly financial statements published.

## CHAPTER 14 - SUBSCRIPTION CONDITIONS & PROCEDURES

### 14.1 Eligibility for the subscription of the Offer Shares

The subscription for the Rights Issue is open to the Shareholders appearing on the Bank's register with the MCDC as at the Record Date and to those persons who have bought rights through the MSM. Every Shareholder is entitled to subscribe to the Rights Issue provided they own Shares as at the Record Date and/or they have purchased rights through the MSM. It is pertinent to mention here that it is permissible for foreign individuals/corporates to own Shares to an extent of 49% of the total Share of the Bank, in accordance with the Articles of Association and the law.

Every Shareholder may subscribe for a number of Offer Shares that is equal to about 10.59 Offer Shares for every 100 Shares held by the Shareholder as at the Record Date, duly rounded off to the nearest whole number.

The rights entitlement will be listed on the MSM and can be sold or purchased through the MSM.

### 14.2 Issue Period and price

The issue period shall commence on 13 December, 2017 and end on 26 December, 2017 (both days inclusive) with the end of the official working hours of the Collecting Bank. The entitlement to the Rights Issue will lapse if valid application is not made during the issue period.

Issue Price - 185 per share (consisting of a nominal value of Bzs 100 plus premium of Bzs 83 and issue expenses being Bzs 2 per share).

### 14.3 Trading of rights

The rights entitlement is tradable on the MSM in accordance with the applicable laws of the CMA and the MSM. Such rights can be traded i.e. bought and sold during the trading period. The buyer of such rights shall contact and co-ordinate with the Lead Issue Manager to collect the requisite Application Form, fill it and submit it to the Collecting Bank, together with application money and required documents on or before the Issue closing date in accordance with the terms contained in this section. Unexercised rights shall lapse at the end of the issue period.

### 14.4 Subscription for Additional Shares

Shareholders as at the Record Date are eligible to apply for Additional Shares.

**A Shareholder who does not subscribe to his full rights entitlement or sells his rights entitlement (either partially or in full) is not eligible to apply for Additional Shares.**

**A person who is not a shareholder and has bought rights entitlement, is not eligible to apply for Additional Shares.**

### 14.5 Unsubscribed Offer Shares

The following are the terms and conditions and procedure to be followed in the event of an under-subscription of Offer Shares:

#### 14.5.1 Terms and conditions for subscription of Additional Shares

Shareholders as at the Record Date will be offered the option to apply for Additional Shares, subject to the terms and conditions detailed below:

1. Shareholders validly subscribing to their full entitlement of Offer Shares will have the option to apply for Additional Shares;
2. Additional Shares can be applied for by submitting an Application Form by specifying the number of Additional Shares applied for and making immediate payment for such Additional Shares;
3. The minimum Additional Shares that can be applied for is one Share with the maximum up to a number such that the total application (including original entitlement and Additional Shares) does not exceed the entire Rights Issue size; and
4. The Additional Shares, if applicable, will be allotted simultaneously with the Offer Shares after CMA approval.

#### 14.5.2 Procedures to be followed for subscription of Additional Shares

1. Shareholders who have opted to apply for Additional Shares shall be required to indicate in the Application Form the number of Additional Shares they wish to apply for and make the required payment at the time of submission of Application Form to the Collecting Bank;
2. In the event the total Additional Shares applied for is more than the under-subscription (before considering additional shares) in the Rights Issue, each Applicant will be allotted Additional Shares on a pro-rata basis proportionate to the number of Additional Shares applied for, and the balance will be refunded;
3. If the total Additional Shares applied for by the Applicants is less than the under-subscription (before considering Additional Shares) in the Rights Issue, all eligible Applicants will receive an allotment to the full extent of Additional Shares applied for by them
4. If there is any balance under-subscription after allotment of Additional Shares, then the Board of Directors shall reduce the capital increase equivalent to the value of such remaining unsubscribed Offer Shares.

The decision of the Issue Manager, in consultation with the CMA, shall be final and binding in respect of the allotment of Shares, including Additional Shares.

**Note: Applicants should ensure that their post-rights issue shareholding is within the shareholding limits prescribed in the laws of Oman.**

The following is a working example using illustrative numbers to elaborate the allotment of Additional Shares:

Particulars	Shares
Right Issue Offer	100,000,000
Subscription	90,000,000
Unsubscribed	10,000,000
Additional Shares Applications Received	15,000,000
Allotment of unsubscribed shares on pro-rata basis based on applications received for Additional Shares Percentage allotment of Additional Shares ( $\%66.67=15,000,000/10,000,000$ )	10,000,000
Refund of amount for unallocated shares to Shareholders equivalent to	5,000,000

As per this example a person applying for 3,000 Additional Shares will be allocated 2,000 Shares.

#### 14.6 Subscription on behalf of Minor Children

1. An individual of age less than 18 years as on Record Date will be considered a minor.
2. Only a father may subscribe on behalf of his minor child(ren).
3. If a Subscription is made on behalf of a minor by any person other than the minor's father, the person submitting the Subscription shall be required to attach a valid Sharia (Legal) Power of Attorney issued by the competent authorities authorizing him to deal in the funds of the minor through sale, purchase and investment.

#### 14.7 Particulars of the bank account

1. Each Applicant is required to furnish the particulars of his bank account, which must be registered in the Applicant's name. The Applicant must not use the bank account number of any other person except in the case of minor children, which may contain the father's bank account details.
2. If the bank account of the Applicant is registered with a bank other than the one receiving the subscription, he shall be required to submit a document evidencing correct bank account particulars as provided for in the Application Form. This can be done by submitting any document from the bank of the Applicant furnishing therein the number and name of the account holder like the upper portion of the account statement issued by the bank containing these particulars only, a letter or any document issued by the said bank containing the said information or copy of the bank card (ATM/Debit) where such particulars are clearly stated. The Applicant shall ensure that the evidence submitted is readable in a clear manner, containing the number and full name of the account holder. The Applicant is not required to submit any evidence with regard to correctness of his bank account if he is subscribing through the bank wherein he is maintaining his account. In this case, the Bank shall be required to verify and confirm the correctness of the Applicant's account through its specific system and procedure or through the evidence submitted to it by the Applicant.
3. In accordance with the instructions issued by the CMA, the particulars of the bank account referred to above shall be recorded in the registers of the MCDC. This shall be used for the transfer of excess funds of the subscription and distribution of any dividends payable to the Shareholder. Whereas, with regard to the Applicants who have their bank accounts registered presently with the registers of the MCDC, the bank account number provided for in the Application Form for the subscription would be utilized only for the purpose of transfer of the excess sums.
4. An application containing the bank account number of a person other than the Applicant shall be rejected, with the exception of the applications made on behalf of minor children that contain bank account particulars of their fathers.

#### 14.8 Documentation Required

1. Copy of a valid Civil ID card / valid Resident Card or valid passport.
2. Submission of a document confirming correctness of the bank account number as provided for in the Application Form for subscription in one case only, being subscription through a bank other than the one with whom the Applicant has his account.
3. Copy of a valid power of attorney duly endorsed by the competent legal authorities in the event the subscription is on behalf of another person (with the exception of the subscription made by a father on behalf of his minor children).

#### 14.9 Mode of subscription

1. The Applicant shall be responsible for furnishing all his particulars, ensuring correctness and validity of the information provided for in the Application Form. While emphasizing on it, the bank receiving the subscription has been instructed to accept the applications for subscription that comply with all the requirements as provided for in the Application Form and this Prospectus.
2. The Applicant shall be required, before filling the Application Form, to peruse the Prospectus and read the conditions and procedures governing the subscription with care and importance.

3. Non-shareholders who validly purchase the rights entitlement in the MSM during the subscription period should contact the Lead Issue Manager and submit a copy of their purchase invoice issued by their broker or statement of account issued by MCDC showing their holding of the rights entitlement. The Lead Issue Manager will issue an Application Form to such Applicants. Only the Application Form issued by the Lead Issue Manager should be used by such Applicants.
4. The Applicants are required to fill in the Application Form for the subscription and furnish all their particulars including the shareholder number available with MCDC, civil number/passport number, date of birth in case of minor children and contact phone number.
5. Applicants are required to confirm on the details provided by signing off the Application Form. In case of minor children, only the father may sign on the Application Form, on behalf of his minor children.
6. The Applicant shall submit the Application Form to the Collecting Bank and make the full payment towards the Offer Shares applied (including Additional Shares, if any) as specified in the Prospectus and ensure that the documents in support of the information furnished (referred to above) are enclosed.
7. If any overseas Applicant wishes to subscribe to the Rights Issue, he must pay in the currency of Oman, i.e. Rial Omani. Such applicant must ensure that its Application Form and application money is received by the Collecting Bank within the subscription period.
8. Payment of the value of the subscription, if done by cheque, shall be in favour of "BankDhofar Rights Issue".
9. In case of payment through bank transfer or by cheque, the Applicant is responsible for ensuring the successful transfer of the subscription amount to the Collecting Bank within the subscription period and in case of bank transfer, the acknowledgement copy has to be attached with the Application Form.

#### **14.10 Availability of duplicate application forms**

Only the original Application Form (with preprinted details) sent to eligible Shareholders should be used. Photocopies of Application Forms will not be accepted. If any eligible Shareholder does not receive the Application Form, such person must contact the Lead Issue Manager or the Collecting Bank sufficiently in advance of the Subscription Closing Date to obtain a duplicate Application Form. Applicants submitting the duplicate Application Form should not use the original Application Form, even if it is received/found subsequently. In case of violation of this requirement, both the application forms may be rejected.

#### **14.11 Bank receiving the subscription:**

The Applications shall be accepted by the Collecting Bank during its official working hours only. The Collecting Bank shall be required to accept the Application Form after confirmation of compliance of the procedures and requirements as provided for in the Prospectus and the laws of Oman. The Collecting Bank must instruct the Applicants to comply and fulfill any requirements that appear in the Application Form before submission.

The Applicant shall be responsible for submission of his Application Form with full payment to the Collecting Bank before the Subscription Closing Date. In this regard, the Collecting Bank shall have the right not to accept any Application Form that reaches it after the official working hours on the Subscription Closing Date.

#### **14.12 Acceptance of the applications for subscription**

The Collecting Bank shall neither receive nor accept the Application Forms from Applicants under the following circumstances:

1. If the Application Form does not bear the signature of the Applicant with the exception of fathers who subscribe and sign on behalf of their minor children;
2. In the event of a failure to pay the value of the Offer Shares (including Additional Shares applied for) subscribed in accordance with the conditions provided for in the Prospectus;
3. If the value of the Offer Shares subscribed is paid through cheque and if the same is dishonored for whatever be the reason;

4. If the Application Form for subscription does not bear the Shareholder number, available with the MCDC;
5. If the shareholder number furnished in the Application Form is noted to be incorrect;
6. If the Applicant submits more than one Application Form in the same name, all of them shall be rejected;
7. If the supporting documents referred to in the Prospectus are not enclosed with the Application Form;
8. If the Application Form does not contain all the particulars of the bank account of the Applicant;
9. If all the particulars of the bank account held by the Applicant as provided for in the Application Form are noted to be incorrect;
10. If the particulars of the bank account provided for in the Application Form are found to be not relevant to the Applicant, with the exception of the applications submitted in the name of minor children, who are allowed to make use of the particulars of the bank accounts held by their father;
11. In case of failure to have the powers of attorney attached with the Application Form as provided for in the Prospectus in respect of the person who subscribes and signs on behalf of another person (with the exception of a father who subscribes on behalf of his minor children);
12. If the Application Form does not comply with the legal and organizational requirements as provided for in the Prospectus; or
13. If the Application Form is not the original form sent by the Bank or a form which is not duly issued by the Lead Issue Manager or the Collecting Bank.
14. If the Application Form is not complete or any information provided in it is found to be incorrect.

If the Collecting Bank observes, after receipt of the Application Form and before expiry of the time schedule prescribed for handing over of the Application in a final manner to the Lead Issue Manager, that the Application has not complied with the legal requirements as provided for in the Prospectus, due effort would be taken for contacting the Applicant so as to correct the mistake detected. In case of failure to have the mistake corrected within the period referred to, the Collecting Bank shall be required to return such application together with the subscription amount before the expiry of the period specified for handing over the final subscription and collection details to the Lead Issue Manager.

#### **14.13 Refusal / Rejection of Applications**

After the issue closure, the Collecting Bank shall provide full details of the applications that are liable to be rejected under any of the conditions referred above, to the Lead Issue Manager. The Lead Issue Manager may reject any such application, after securing the approval of the CMA and submission of a comprehensive report furnishing the details of the applications that are required to be rejected and reasons behind such rejection.

#### **14.14 Enquiry & Complaints**

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

#### **BankDhofar SAOG**

Mr. Mohammed Qassim Al Lawati  
 PO Box 1507, PC 112, Ruwi, Sultanate of Oman  
 Phone: +968 24726366, Fax: +968 24726272  
 E-Mail: InvestmentBack-Office-COD@bankdhofar.com

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

#### **Lead Issue Manager's Contact -**

Mr. Amit Maheshwari  
Gulf Baader Capital Markets SAOC  
P.O. Box 974, PC 112, Ruwi, Sultanate of Oman  
Tel: +968 22350700 Fax: +968 22350745  
E-Mail: cfd@gbcmoman.net

#### **Co-Issue Manager's Contact -**

Mr. Majid Qamarudeen  
PO Box 1507, PC 112, Ruwi, Sultanate of Oman  
Phone: +968 24788149, Fax: +968 24791131  
E-Mail: mqamar@bankdhofar.com

#### **14.15 Restrictions on Shareholding**

Applicants are required to comply with the shareholding limits prescribed in the laws of Oman. In case the post-issue shareholding of any Applicant is likely to exceed the prescribed limits, he must submit a copy of the relevant approval received for excess shareholding along with his Application Form.

The Bank undertakes to comply with the shareholding limits stipulated by the laws of Oman and the regulations issued by the CBO, particularly CBO Regulation BM/REG/40/96.

#### **14.16 Payments for Additional Shares**

The payment for Additional Shares shall be made at the time of submission of Application Form to the Collecting Bank. If the Applicant fails to pay for any Additional Shares pursuant to the Application Form, the application will be rejected.

#### **14.17 Allotment and Refund of Surplus Funds**

The Offer Shares shall be allotted and the funds shall be refunded (if required) within 15 days from the Subscription Closing Date, after obtaining CMA approval for allotment. The Applicant, after the announcement of the allotment, shall ensure that the allotted shares are appearing in its account with MCDC.

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

#### **14.18 Responsibilities of Shareholders/ Applicants in Rights Issue**

1. A Shareholder who sells his Rights Issue entitlement through the MSM will lose his right to subscribe to the Offer Shares to that extent. Further, such Shareholders cannot apply for Additional Shares.
2. An investor who buys the rights listed in the MSM should exercise his right to subscribe to the Offer Shares through submitting his Application Form (which is obtained from the Lead Issue Manager) to the Collecting Bank before the Subscription Closing Date. Such investors are not eligible to subscribe for Additional Shares.

#### **14.19 Responsibilities and liabilities**

The responsibilities and the liabilities of the Lead Issue Manager, Collecting Bank and MCDC shall be in accordance with the responsibilities as specified by the CMA. They should also comply with other responsibilities of the agreement entered into between them and the Bank. If appropriate, all responsible

parties shall compensate others for damages resulting from any negligence in performing their duties. The Lead Issue Manager shall coordinate with the regulatory authorities in order to take all necessary actions and procedures in this regard.

#### 14.20 Proposed Time Table

The following table shows expected time schedule for completion of the Rights Issue:

Activity	Date
<b>Approval of Prospectus by CMA</b>	20 November 2017
<b>Date of publication of announcement:</b> After approval of the Prospectus, at least five working days before the Record Date, the Issuer must publish an advertisement approved by CMA in two daily newspapers, at least one of them to be an Arabic daily, for two consecutive days, notifying the shareholders and other investors of the Rights Issue. The advertisement must include a summary of the Prospectus including the volume and ratio of the increase in the capital, issue price, the Record Date, Collecting Bank, subscription period and the period for the trading of the rights entitlement.	21 November 2017
<b>Record Date:</b> Shareholders registered in MCDC records as at this date are eligible for subscription to the Rights Issue as holders of the rights.	29 November 2017
<b>Service of Notices on the shareholders:</b> At least three days before the date set for the exercise of the rights, the Issue Manager shall send written notices to each shareholder at the address recorded in the shareholders record advising of the Rights Issue together with an approved copy of the Prospectus and an application form. The notice must specify the number of shares that may be subscribed, the period of subscription under such Right or the assignment of the rights which period shall not be less than fifteen days from the date of publication as provided for by Article 83 of the Commercial Companies Law.	6 December 2017
<b>Listing of the rights entitlement:</b> The Issuer and the Issue Manager in collaboration with MCDC and MSM carry out the procedures for listing of the rights for trading on MSM within five working days from the date of Record date. A record of holders of the rights shall be prepared for the purposes of the trading of the rights within the specified period. The rights shall be separated from the shares and shall be traded separately.	10 December 2017
<b>Date of commencement of subscription (Issue Open Date):</b> This date shall not be less than fifteen days from the date of publication of the notice of the Rights Issue. Application forms will be issued directly to the shareholders, but duplicate application forms may be obtained from the Collecting Bank or Issue Manager.	13 December 2017
<b>End of trading of the rights</b>	21 December 2017
<b>End of subscription period (Issue Close Date):</b> After this date, the Issue Manager shall collect the list of subscription from the Collecting Bank, verify the subscription list, match it with the rights holders' record and process the allotment of shares.	26 December 2017
<b>Listing and allotment:</b> The new shares shall be allotted and the listed on the MSM within 15 days of the Issue Closing Date.	11 January 2018

## CHAPTER 15 - UNDERTAKINGS

### 15.1 BankDhofar SAOG

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

1. The information provided in this Prospectus is true and complete.
2. Due diligence has been taken so as to avoid omission of any important facts or information that would have made the expressions in the Prospectus misleading.
3. All the provisions set out in the Capital Market Law promulgated by Royal Decree 80/98 as amended and the CCL and the rules and regulations issued pursuant to them have been complied with.

#### Signed on behalf of the Board of Directors:

Sd/-

**Mr. Mohammed Yousuf Al Ibrahim**



Sd/-

**Mr. Ahmed Said Al Mahrazi**



## 15.2 Issue Manager

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

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

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

1. We have taken necessary and reasonable care to ensure that the information given to us by the Issuer and that contained in the Prospectus are consistent with the facts available in the documents and other material pertaining to the Issue.
2. To the best of our knowledge and on the basis of our perusal and information given to us by the Issuer, the Issuer has not omitted any material information, the omission of which would render the Prospectus misleading.
3. The Prospectus and the Issue to which it relates is consistent with all the rules and terms of disclosure stipulated for in the Capital Market Law, the Executive Regulations of the Capital Market Law and prospectus models applied by CMA and is in conformity with the Commercial Companies Law and decisions issued in this regard.
4. The information contained in this Prospectus in Arabic (with its unofficial translation in English) is correct, reasonable and adequate as per our perusal to assist the investor in taking an appropriate decision whether or not to invest in the securities offered.

Sd/-



**Gulf Baader Capital Markets SAOC**



### 15.3 Legal Advisor

The Legal Advisor, whose name appears below, hereby confirms that all the procedures undertaken with regard to the offering of the securities the subject matter of the Prospectus are in line with the laws and legislations related to the Issuer's business, the Commercial Companies Law, the Capital Market Law and the regulations and directives issued pursuant to them, the requirement and rules for the issue of securities issued by the CMA, the Articles of Association of the Issuer and the resolutions of the general meeting and board of directors of the Issuer. The Issuer has secured all the consents and approvals of the official authorities required to carry out the activities which is the subject matter of the prospectus.

Sd/-



**Dentons & Co. Oman Branch**





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