BASE PROSPECTUS

BANK DHOFAR S.A.O.G.

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

U.S.$500,000,000

Euro Medium Term Note Programme

Under this U.S.$500,000,000 Euro Medium Term Note Programme (the **Programme**), Bank Dhofar S.A.O.G. (the **Issuer** or the **Bank**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*General Description of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this base prospectus (the **Base Prospectus**) to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

This Base Prospectus has been approved by the Central Bank of Ireland (the **Central Bank of Ireland**) as competent authority under the Prospectus Directive (as defined below). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (**EU**) law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc (the **Irish Stock Exchange**) for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the **Official List**) and to trading on its regulated market (the **Main Securities Market**). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (each such regulated market being a **MiFID Regulated Market**) and/or which are to be offered to the public in any member state of the European Economic Area (each a **Member State**).

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Main Securities Market and have been admitted to the Official List or, as the case may be, another MiFID Regulated Market as may be specified in the applicable Final Terms.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the Central Bank of Ireland and, with respect to Notes to be listed on the Irish Stock Exchange, the Irish Stock Exchange.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Issuer may agree with any Dealer that Notes may be issued in a form or with terms and conditions not contemplated by the terms and conditions of the Notes herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Bank has been assigned a long term bank deposits foreign currency rating of Baa1 and a short term bank deposits foreign currency rating of P-2 (possible downgrade) by Moody's Investors Service Cyprus Ltd. (**Moody's**) and a long term issuer default rating of BBB and a short term issuer default rating of F2 (stable) by Fitch Ratings Limited (**Fitch**). The Programme has been assigned long-term senior unsecured provisional ratings of (P)Baa1 by Moody's and BBB(EXP) by Fitch. Each of Moody's and Fitch is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme or Notes already issued by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Arrangers

HSBC | **National Bank of Abu Dhabi**

Dealers

Bank ABC | **BNP PARIBAS**

Crédit Agricole CIB | **HSBC**

National Bank of Abu Dhabi

The date of this Base Prospectus is 15 April 2016.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. For the purposes of this Base Prospectus, **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU), to the extent implemented in a Relevant Member State (as defined below), and includes any relevant implementing measure in any Relevant Member State (the **Prospectus Directive**).

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of the Issuing and Principal Paying Agent (as defined below) save that, if the relevant Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder (as defined under "*Terms and Conditions of the Notes*") holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer or, as the case may be, the Issuing and Principal Paying Agent as to its holding of such Notes and identity.

Neither the Dealers nor the Arrangers have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Arrangers as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by any Dealer or Arranger or the Issuer in connection with the Programme. To the fullest extent permitted by law, no Dealer accepts any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Base Prospectus or any such statement, including in relation to the information contained in this Base Prospectus or any other information provided by the Bank in connection with the Programme or offering of Notes thereunder.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and the Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

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

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State which has implemented the Prospectus Directive (each, a **Relevant Member State**) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;

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

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

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

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

No comment is made or advice given by the Issuer, the Dealers or the Agents as defined under "*Terms and Conditions of the Notes"* in respect of taxation matters relating to any Notes or the legality of the purchase of the Notes by an investor under any applicable law.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF ANY NOTES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This Base Prospectus contains the audited results of operations of the Bank as at and for the years ended 31 December 2015, 31 December 2014 and 31 December 2013. The Bank's financial data discussed in this Base Prospectus as at 31 December 2015 is derived from the Bank's audited financial statements as at and for the year ended 31 December 2015 (the **2015 Financial Statements**) and the Bank's financial data discussed in this Base Prospectus as at 31 December 2014 and 31 December 2013 is derived from the Bank's audited financial statements as at and for the year ended 31 December 2014 (the **2014 Financial Statements**, together with the Bank's 2015 Financial Statements, the Bank's **Financial Statements**). The financial data discussed in this Base Prospectus should be read in conjunction with the Bank's Financial Statements and the related notes thereto. Unless otherwise specified, the financial data discussed in this Base Prospectus has been extracted without material adjustment from the Bank's Financial Statements and the related notes thereto, as included elsewhere in this Base Prospectus.

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

Annual information presented in this Base Prospectus is based upon 1 January to 31 December periods (which is the fiscal year for the Bank), unless otherwise indicated. Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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

Exchange Rates

In this Base Prospectus, unless otherwise specified, references to a Member State are references to a **Member State** of the European Economic Area, references to **U.S.$, U.S. dollars** or **dollars** are to United States dollars, references to **EUR** or **euro** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended, references to £ are to United Kingdom pounds sterling and references to **RO** and **Rials** are to Omani rials.

References to a **billion** are to a thousand million.

References to the **GCC** are to the states of the Gulf Co-operation Council.

References to **Oman** are to the Sultanate of Oman.

PRESENTATION OF SULTANATE OF OMAN STATISTICAL INFORMATION

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

FORWARD-LOOKING STATEMENTS

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

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

- adverse external factors, such as the global financial crisis, changes in international commodity prices, high international interest rates and recession, international terrorism, changes in policies of international institutions or credit downgrades; and
- other adverse factors that may affect the GCC and/or the wider Middle East and North Africa (MENA) region.

No incorporation of website information

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Bank's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of the Bank*" and other sections of this Base Prospectus. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Base Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Bank's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections "*Risk Factors*", "*Description of the Bank*", "*Overview of The Sultanate of Oman*" and "*Oman Banking System and Prudential Regulations*", which include a more detailed description of the factors that might have an impact on the Issuer's business development and on the industry sector in which the Issuer operates.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

These forward-looking statements speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based.

NOTICE TO KINGDOM OF SAUDI ARABIA RESIDENTS

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the **Capital Market Authority**).

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

NOTICE TO BAHRAIN RESIDENTS

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

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

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

NOTICE TO QATAR RESIDENTS

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

NOTICE TO KUWAIT RESIDENTS

Unless all necessary approvals from the Kuwait Capital Markets Authority (the **CMA**) pursuant to Law No. 7 of 2010, and its Executive Regulations (each as amended) and the various Resolutions, Instructions and Announcements issued pursuant thereto, or in connection therewith, have been given in relation to the marketing of, and sale of, the Notes, the Notes may not be offered for sale, nor sold, in Kuwait. No such approvals have been received or applied for in respect of the Notes. Neither this Base Prospectus nor any of the information contained herein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

NOTICE TO OMAN RESIDENTS

The information contained in this Base Prospectus does not constitute an offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or Article 3 of the Capital Market Law of Oman (Royal Decree 80/98). This Base Prospectus will only be made available to investors in Oman in accordance with Article 139 of the Executive Regulations of the Capital Market Law (CMA Decision 1/2009) (the **Executive Regulations**) by an entity duly licensed by the Oman Capital Market Authority to market non-Omani securities. Additionally, this Base Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the Sultanate of Oman.

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

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or person(s) acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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RISK FACTORS

The Bank believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Bank believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Bank to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Bank makes no representation that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this section.

Factors that may affect the Bank's ability to fulfil its obligations under or in connection with the Notes

Risks relating to the Bank

Commercial and market risks

Credit risk

Credit risk is the risk that a customer will fail to meet its obligations in accordance with agreed terms and in doing so will cause the Bank to incur a financial loss. The Bank controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties, diversification of lending activities and compliance with internal limits to avoid undue concentrations of risk with individuals or groups of customers in specific locations or businesses, and by obtaining security when appropriate.

The Bank establishes an allowance for identified and collective impairment losses as prescribed by International Financial Reporting Standards (**IFRS**) and CBO guidelines that represent its estimate of incurred and collective losses in its loan portfolio. As at 31 December 2015, the Bank had impaired loans amounting to RO 64.9 million and carried total impairment allowances of RO 98.6 million to cover potential identified and unidentified loan losses (compared to RO 59.8 million of impaired loans and total impairment allowances of RO 87.6 million as at 31 December 2014 and impaired loans amounting to RO 58.5 million and impairment allowances of RO 80.6 million as at 31 December 2013). In accordance with IFRS, the Bank is required to reflect the impairment calculated as a charge to the income statement. However, the actual loan losses could be materially different from the loan impairment allowances. The Bank's management believes that the levels of impairment allowances for impaired loans and loans under stress as at 31 December 2015 are sufficient to cover the Bank's estimated loan losses as at that date. As at 31 December 2015, the total (identified and collective) provisions (net of reserve interest) cover 151.9 per cent. of the Bank's impaired assets (compared to 146.6 per cent. of the Bank's impaired assets as at 31 December 2014 and 137.9 per cent. as at 31 December 2013). Collateral held as security against impaired loans primarily relates to commercial and residential property, pledged shares and pledged deposits.

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

Whilst the Bank's non-performing loan levels have shown improvement during 2013, 2014 and 2015, with a non-performing loan ratio of 2.95 per cent. as at 31 December 2013, 2.55 per cent. as at 31 December 2014 and 2.30 per cent. as at 31 December 2015, the Bank may suffer a deterioration in its portfolio, principally manifested in the form of increasing non-performing loan levels, if it is unable to adequately control credit risk.

Legal and operational risk

Legal risk is the risk of losses occurring due to legal or regulatory action that invalidates or otherwise precludes performance by the Bank or any of its counterparties under the terms of its contractual agreements. The Bank controls legal risk through the use of standardised documentation and obtaining appropriate legal advice in relation to its non-standard documentation. See "*Description of the Bank – Operational risk*" and "*—Liquidity Risk*".

Operational risk is the risk of loss resulting from inadequate or ineffective internal controls or from external events. Detailed operational manuals, internal control mechanics, periodic reviews and audits are tools employed by the Bank to assess, monitor and manage the operational risk in its business. See "*—The Bank depends on complex information technology systems*" below and "*Description of the Bank – Risk Management – Operational Risk*".

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

Liquidity risk

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

An inability on the Bank's part to access funds or to access the markets from which it raises funds may put the Bank's positions in liquid assets at risk and lead to the Bank being unable to finance its operations adequately. A dislocated credit environment compounds the risk that the Bank will not be able to access funds at favourable rates. These and other factors could also lead creditors to form a negative view of the Bank's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, because the Bank receives a significant portion of its funding from deposits, the Bank is subject to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strain.

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

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

As with most banks, a substantial portion of the Bank's funding requirements is met through low-cost short-term funding sources, primarily in the form of customer deposits. As at 31 December 2015, approximately 39.9 per cent. of the Bank's customers' deposits had remaining maturities of one year or less.

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

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

Changes in interest rate levels may affect the Bank's net interest margins and borrowing costs, and the value of assets sensitive to interest rates and spread changes may be adversely affected

The Bank is exposed to unexpected fluctuations in market interest rates. An increase in interest rates generally may decrease the value of the Bank's fixed-rate loans and raise the Bank's funding costs. Such an increase could also generally decrease the value of fixed-rate debt securities in the Bank's securities portfolio. Volatility in interest rates may result in a pricing gap between the Bank's interest-rate sensitive assets and its liabilities. As a result, the Bank may incur additional costs in raising and maintaining capital.

Interest rates react to many factors beyond the Bank's control, including, for example, the policies of central banks, political factors and domestic and international economic conditions. Any adverse effects of future interest rate fluctuations could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Deterioration in the market value of the Bank's securities portfolio may affect the values of the Bank's investment and trading portfolios. The Bank's income from securities operations depends on numerous factors beyond its control, such as overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility. The Bank also engages, to a limited extent, in foreign currency transactions and maintains open currency positions in relation to a number of currencies, which give rise to currency risks.

Although the Bank has risk management processes that review and monitor foreign currency risk, interest rate risk and market price fluctuations, future changes in such risks may have a material adverse effect on the Bank's business, financial condition, results of operations or prospects. See "*Description of the Bank – Risk Management – Market Risk*".

Deposit and lending base concentration risk

Further to the Bank's dependence on short-term funding, concentrations in the Bank's deposits also subject it to risks of exposure to Governmental departments and agencies (**Government-related Entities**) and the risk of default by its larger borrowers.

A substantial portion of the Bank's funding requirements are met through short-term and long-term deposits by Government-related Entities. As at 31 December 2015, Government-related Entities accounted for 42.3 per cent. of the Bank's customers' deposits. The Government has recently experienced a downgrading in its credit rating (see "*Overview of the Sultanate of Oman – Ratings*"). If the Government experiences a further downgrading in its credit rating, this may result in the Government or Government-related Entities withdrawing their deposits with the Bank.

Furthermore, the Bank's twenty largest depositors represented 49.9 per cent. of the Bank's total customers' deposits as at 31 December 2015.

Although the Bank considers that it has adequate access to sources of funding, the withdrawal of a significant portion of these large deposits could have a material adverse effect on its business, results of operation and financial condition, as well as their ability to meet the CBO regulations and guidelines relating to liquidity. Any such withdrawal may require the Bank to seek additional sources of funding (whether in the form of deposits or wholesale funding), which may not be available to the Bank on commercially acceptable terms or at all.

Any failure to obtain any replacement funding may negatively impact the Bank's ability to maintain or grow its loan portfolio or otherwise increase its overall cost of funding, any of which could have a material adverse effect on its business, results of operation and financial condition.

As at 31 December 2015, the Bank's funded exposure to its twenty largest corporate borrowers accounted for 18.9 per cent. of its gross loans, advances and financing. A significant default by one or more of these borrowers could have an adverse effect on the Bank's business, financial condition, results of operations or prospects. Retail customer portfolios will remain strongly linked to the economic conditions in Oman, with changes in employment levels and interest rates among the factors that may impact retail credit exposures. If Oman experiences adverse economic or geopolitical conditions generally or any crisis in the financial services sector more specifically, then this may affect the repayment ability of a large proportion of the Bank's borrowers, which could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

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

The soundness or the perceived soundness of other financial institutions and counterparties

The credit crisis that occurred in the global financial markets, which was particularly acute in 2008 and 2009, and the resultant deterioration in the global economic outlook led to a general reduction in liquidity and available financing and generally increased financing costs during that period. The Bank is subject to the risk of deterioration in the commercial and financial soundness, or perceived soundness, of other financial services institutions, particularly financial services institutions resident in Oman. Within the financial services industry the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Bank or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Bank interacts on a daily basis. The failure of other financial institutions or counterparties could have a material adverse effect on the Bank's ability to raise new funding and on its business, financial condition and results of operations.

The Bank may not be able to manage its expansion strategy effectively

The Bank cannot assure prospective investors that it will be able to manage its growth effectively. Noteholders should note that the inorganic approach to local and regional expansion has significant challenges (see "*Description of the Bank – Strategy – Achieve growth through inorganic expansion*"). Challenges that may result from inorganic and organic growth include the Bank's ability to:

- identify suitable targets from a limited number of potential targets, accurately assessing the value, strengths, weaknesses, contingent or other liabilities and potential profitability of such acquisitions;
- obtain information and achieve transparency on an intended target;
- to negotiate appropriate purchase terms and at acceptable cost;
- finance investments or acquisitions;
- obtain the appropriate regulatory and government approvals, licences and registrations;
- successfully integrate newly established entities and acquired businesses in line with its expansion strategy;
- manage efficiently the operations and employees of expanding businesses;
- hire and retain enough qualified personnel to staff new or expanded operations;
- overcome possible domestic political resistance in the selected markets that the Bank may identify; and
- maintain its existing customer base.

The Bank cannot ensure that it will be able to adequately address these concerns, which could prevent it from achieving its strategic objectives and could also have a material adverse effect on its business, results of operations and financial condition.

The proposed merger with Bank Sohar, should it materialise, could take up the Bank’s time and resources and may entail post-acquisition integration risks

If the proposed merger with Bank Sohar proceeds (see "*Financial Review – Recent developments*"), it may have a number of consequences for the Bank including:

- diversion of management attention and financial resources that would otherwise be available for the ongoing development or expansion of existing operations;
- unexpected losses of key employees, customers and suppliers of the acquired operations;
- challenges in integrating the financial, technological and management standards, processes, procedures and controls of Bank Sohar with those of the Bank's existing operations; and
- challenges in redeploying resources in different areas of operations to improve efficiency.

If the Bank is unable to successfully meet the challenges associated with the proposed merger, to the extent such merger proceeds, this could have a material adverse effect on the Bank's business, financial condition and results of operations.

Off-balance sheet credit-related commitments

As part of the Bank's lending and trade-related activities, the Bank provides guarantees, performance bonds, letters of credit and acceptances, which are commitments to make payments on behalf of customers, that are contingent upon the failure of the customer to satisfy its obligations supported by the commitment. Although these commitments are contingent and therefore off-balance sheet, they nonetheless subject the Bank to credit risk. Credit-related commitments are subject to the same credit approval and compliance procedures as loans and advances, and commitments to extend credit are contingent on customers maintaining specific credit standards. As at 31 December 2015, the Bank had RO 844.3 million of credit-related off-balance sheet commitments outstanding, constituting 23.5 per cent. of its total assets. Although the Bank anticipates that only a portion of its obligations in respect of these commitments will be triggered, it may become obligated to make payments in respect of a greater portion of such commitments, which could have a material adverse effect on its business, results of operations and financial condition.

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

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

Unavailability of adequate quantity or quality of financial data in respect of some of its debtors may result in the Bank's failure to accurately assess the financial condition and creditworthiness of its debtors, leading to an increase in the rate of default for the Bank's loan portfolio. This could have a material adverse effect on the Bank's business, results of operations and financial condition.

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

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

In addition, even if such security interests are enforceable in Omani courts, the time and costs associated with enforcing security interests in Oman may make it uneconomic for the Bank to pursue such proceedings, adversely affecting the Bank's ability to recover its loan losses. Even in the event that the Bank acquires real estate assets as a result of enforcement of security, the Banking Law of Oman requires the Bank to dispose of the real estate within twelve months of it being acquired unless an extension has been obtained from the CBO, adversely affecting the Bank's ability to sell such real estate assets on favourable terms or at all and limiting the Bank's ability to recover its loan losses.

As at 31 December 2015, the Bank had a gross loan portfolio amounting to RO 2,827.9 million, of which 63.3 per cent. was secured by collateral in the form of residential property and commercial real estate, vehicles, deposits and investment securities.

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

The occurrence of the foregoing could have a material adverse effect on the Bank's business, results of operations and financial condition.

The Bank is exposed to fluctuations in foreign exchange rates

As a financial intermediary, the Bank is exposed to foreign exchange rate risk. In general, the Bank aims to make foreign currency loans on terms that are generally similar to its foreign currency borrowings, thereby naturally hedging its exposure. Where this is not possible, it generally employs cross currency forwards, options and swaps to match the currencies of its assets and liabilities. Any open currency position is maintained within the limits set by the CBO. However, where the Bank is not so hedged, it is exposed to fluctuations in foreign exchange rates. Adverse movements in foreign exchange rates also may impact the creditworthiness of its depositors and borrowers negatively, which in turn may impact on its deposit base and the quality of its exposures to certain borrowers. Any volatility in foreign exchange rates, including as a result of the re-fixing of the Omani Rial – U.S. dollar exchange rate (or the elimination of that rate altogether), could have a material adverse effect on its business, results of operations and financial condition.

All the Bank's business is based in Oman

All of the Bank's operations and assets are located in Oman and accordingly its business, results of operations and financial condition may be affected by the financial, political and general economic conditions prevailing from time to time in Oman and/or the Middle East generally (see "*Risks Relating to Investments in Oman and the GCC – Economic and political considerations*").

The Bank may become subject to increasingly intense competition

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

Impact of competitors' consolidations or mergers

The Oman banking industry is currently dominated by 3 banks which account for approximately 64.1 per cent. of total assets as at 31 December 2015 according to the CBO's combined balance sheet of conventional and Islamic banks as at 31 December 2015. As at 31 December 2015, the Bank was the second largest listed bank in terms of total assets and total loans advances and financing in Oman (Source: CBO's combined balance sheet of conventional and Islamic banks as at 31 December 2015). Given the overlap in services offered and the customer base in Oman, it is possible that one or more of the Bank's competitors may choose to merge or consolidate their operations. The benefits which may result from such a merger or consolidation may enable the Bank's competitors to significantly enhance their financial resources, access to funding and product offerings. The Bank's board of directors (Board of Directors) has expressed an interest in and has commenced discussions with Bank Sohar S.A.O.G. (Bank Sohar) to explore the possibility of a merger between the two banks. For further information on the Bank's proposed merger with Bank Sohar, see "*Description of the Bank – Recent Developments*".

The Bank's future growth, revenue and cash flows could be adversely affected if any of its competitors were to merge or consolidate.

The Bank depends on complex information technology systems

The Bank is increasingly dependent on sophisticated information technology (IT) systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Bank's business and operating data, the failure, ineffectiveness or disruption of which could materially adversely affect it. The proper functioning of the Bank's financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Bank's business and ability to compete effectively. The Bank's business activities would be materially disrupted if there were a partial or complete failure of any of the IT systems or communications networks. Such failures could be caused by a variety of factors, including natural disasters, extended power outages, computer viruses, malicious hacking and software and hardware malfunctions.

The Bank relies on third party service providers for certain aspects of its business operations. Any interruption or deterioration in the performance of these third parties or failures or their information systems and technology could impair the quality of the Bank's operations and could impact its reputation. If any of the foregoing were to occur, this could have a material adverse effect on its business, result of operations and financial condition.

The proper functioning of the Bank's IT systems also depends on accurate and reliable data and other system input, which are subject to human errors. Any failure or delay in recording or processing the Bank's transaction data could subject it to claims for losses and regulatory fines and penalties. Although the Bank believes it has adequate security and continuity of business programmes and protocols in place, it cannot assure that these will be sufficient to prevent these problems or to ensure that its operations are not significantly disrupted as a consequence. Any such problems or disruptions could have a material adverse effect on its business, result of operations and financial condition.

Principal shareholders

The Bank's principal shareholders (the **Principal Shareholders**) are Dhofar International Development & Investment Holding Company S.A.O.G. (**Dhofar International**) and Eng. Abdul Hafidh Salim Rajab Al Aujaili and his related companies, who hold approximately 28.0 per cent. and 20.8 per cent. of the Bank's share capital, respectively, as at 31 December 2015. By virtue of such shareholding, the principal shareholders have the ability to influence the Bank's business significantly through its ability to control and/or block actions that require shareholder approval. If circumstances were to arise where the interests of the principal shareholders conflict with the interests of holders of the Notes, holders of the Notes could be disadvantaged by any such conflict.

The Notes will not be guaranteed by the Principal Shareholders

As discussed above, the Principal Shareholders are majority shareholders in the Bank. Like any other shareholders, the Principal Shareholders have no legal obligation to provide additional funding for any of the Bank's future operations. The Principal Shareholders are not providing a guarantee of any of the Bank's legal obligations in respect of the Notes, nor are the Principal Shareholders under any obligation to purchase any of the Bank's liabilities or guarantee any of the Bank's obligations, and the holders of Notes therefore do not benefit from any legally enforceable claim against the Principal Shareholders.

Dependence on key personnel

The success of the Bank depends, in part, on the Bank's ability to continue to attract, retain and motivate qualified and skilled personnel. The Bank relies on its senior management for the implementation of its strategy and its day-to-day operations. There is intense competition in Oman for skilled personnel, especially at the senior management level, due to a disproportionately low number of available qualified and/or experienced individuals compared to current demand. If the Bank were unable to retain key members of its senior management and/or hire new qualified personnel in a timely manner, this could have an adverse effect on the operations of the Bank. The loss of any member of the senior management team may result in: (i) a loss of organisational focus; (ii) poor execution of operations; and (iii) an inability to identify and execute potential strategic initiatives. These adverse results could, among other things, reduce potential revenue, which could have a material adverse effect on the Bank's business, results of operations and financial condition.

Employee misconduct or errors could harm the Bank

Employee misconduct and misrepresentation could subject the Bank to financial losses or regulatory sanctions and seriously harm its reputation. It is not always possible to deter employee misconduct, and the precautions the Bank takes to prevent and detect this activity may not be effective in all cases. Misconduct by its employees could include employees hiding unauthorised activities from the Bank, improper or unauthorised activities on behalf of customers or improper use of confidential information or funds. Employee errors in recording or executing transactions for customers can cause the Bank to enter into transactions that customers may disavow and refuse to settle. Although the Bank carries insurance to cover employee misconduct and errors, they expose it to risk of loss, which could have a material adverse effect on its business, results of operations and financial condition.

The Bank is a highly regulated entity

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

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

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

Future events may be different than those reflected in the management assumptions and estimates used in the preparation of the Bank's financial statements

Pursuant to IFRS rules and interpretations in effect as of the date of this Base Prospectus, the Bank is required to use certain estimates in preparing its financial statements, including accounting estimates to determine loan loss reserves and the fair value of certain assets and liabilities, among other items. Should the estimated values for such items prove substantially inaccurate, particularly because of significant and unexpected market movements, or if the methods by which such values were determined are revised in future IFRS rules or interpretations, the Bank may experience unexpected reductions in profitability or losses.

The Bank may not be able to fully comply with anti-money laundering and anti-terrorism laws and regulations

The Bank is required to comply, and it does comply, with applicable anti-money laundering (AML), anti-terrorism laws and other regulations in Oman, as well as other jurisdictions where it enters into transactions. These laws and regulations require the Bank, among other things, to adopt and enforce "know your customer"(KYC) policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. The Bank has adopted KYC and AML policies and procedures and reviews them regularly in light of any relevant regulatory and market developments. To the extent the Bank fails or is perceived to fail to fully comply with applicable laws and regulations, the regulatory agencies to whom the Bank reports have the power and authority to impose fines and other penalties on the Bank. In addition, the Bank's business and reputation could suffer if customers use the Bank for money laundering or illegal or improper purposes.

A downgrade in the Bank's credit ratings

The Bank's credit ratings, which are intended to measure its ability to meet its debt obligations as they mature, are an important factor in determining the Bank's cost of borrowing funds. The interest rates of the Bank's borrowings are partly dependent on its credit ratings. As at the date of this Base Prospectus, the Bank has ratings of: Long-term IDR at 'BBB' and Short-term IDR at 'F2' by Fitch and Long Term Bank Deposits Foreign Currency Rating at 'Baa1', placed under review for further downgrade and Short Term Bank Deposits Foreign Currency Rating at 'P-2', placed under review for further downgrade by Moody's. The Bank's long-term deposit rating was downgraded from 'A3' to 'Baa1' by Moody's on 3 March 2016, along with downgrades of four other major Omani banks. In addition, all of these banks have been placed under review for downgrade. This action followed the Moody's Deutschland GmbH downgrade of Oman's issuer rating to 'A3' from 'A1' and its placement on review for further downgrade on 26 February 2016, reflecting the ongoing and highly negative impact of lower oil prices on Oman's fiscal and economic strength. Any further downgrade of Oman's sovereign rating is likely to lead to further downgrade of the Bank's credit ratings. A further downgrade of the Bank's credit ratings, or continuation of being placed on a negative ratings watch, may increase its cost of borrowing and have a material adverse effect on its business, results of operations and financial condition.

A downgrade of the Bank's credit ratings (or announcement of a negative ratings watch) may also limit its ability to raise capital. Moreover, actual or anticipated changes in the Bank's credit ratings or the credit ratings of the Notes (if applicable) generally may affect the market value of the Notes. In addition, ratings assigned to the Notes (if applicable) may not reflect the potential impact of all risks related to the transaction, the market or any additional factors discussed in this Base Prospectus and other factors may affect the value of the Notes. A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

Risks relating to investments in Oman and the GCC

Emerging markets such as Oman and other GCC markets are subject to greater risks than more developed markets, and financial volatility in emerging markets could negatively impact the Bank's business

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors should also note that emerging markets such as Oman and the GCC are subject to rapid change and that the information set forth in this Base Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging market country tends to adversely affect confidence in markets of all emerging market countries as investors move their money to more developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Oman and the GCC and adversely affect those economies. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if those economies remain relatively stable, financial turmoil in any emerging market country could adversely affect the Bank's business, as well as result in a decrease in the price of the Notes. Companies located in countries in the emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

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

- political and economic instability and geopolitical regional conflicts;
- overall market liquidity;
- government interventions and protectionism;
- potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
- difficulties in staffing and managing operations;
- legal systems which could make it difficult for the Bank to enforce its intellectual property and contractual rights (including with respect to enforcing collateral);
- restrictions on the right to convert or repatriate currency or export assets;
- greater risk of uncollectible accounts and longer collection cycles;
- logistical and communications challenges; and
- changes in labour conditions.

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

Economic and political considerations

His Majesty Sultan Qaboos bin Said Al Said has ruled Oman since 1970. His Majesty has focused successfully on widespread economic and political reform, resulting in significantly increased stability and economic growth in the country. However, there can be no assurance that such stability and growth will continue. Notwithstanding this modernisation and advancement, there has always been the concern that a shift in the political priorities within Oman or strife within the region could have a material adverse effect on the Bank's business, financial condition or results of operations.

The Bank's business, results of operations and financial condition depend on the condition of the economy in Oman. Customers' ability to pay their obligations on time is significantly affected by gross domestic product (**GDP**) growth, which in turn is substantially dependent on the success of key sectors of the Omani economy. As oil and gas activities account for approximately 47.2 per cent. of Omani GDP as at 31 December 2014 (Source: CBO Annual Report 2014), the Omani economy is particularly sensitive to the price of oil and gas on the world markets, and a decline in the prices of oil and gas could substantially slow or disrupt the Omani economy. As Oman's foreign reserves are comparatively lower than the foreign reserves of other GCC countries, the Government of the Sultanate of Oman (the **Government**) is making efforts to diversify its economy and reduce its dependence on revenue from oil and gas activities. Military conflicts and international terrorist activity could significantly affect oil and gas prices. In addition, any negative change in one or more macroeconomic factors, such as interest rates (which are influenced by U.S. interest rates given the fixed exchange rate between the Omani Rial and the U.S. dollar), inflation, wage levels, unemployment, foreign investment and international trade, could have a material adverse effect on the Bank's business, results of operations and financial condition.

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

The Bank's business may also be adversely affected if there are geo-political events in or affecting Oman that prevent the Bank from delivering its services. Since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Israel/Palestine, Libya, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and has given rise to increased political uncertainty across the region and, in certain cases, regime changes. Oman also experienced political unrest although to a lesser extent than other countries affected by political unrest in the MENA region. The Bank does not have operations in any of these countries except for Oman (see "*Description of the Bank*"). It is not possible to predict the occurrence of events or circumstances such as, or similar to, a war or the impact of such occurrences and no assurance can be given that the Bank would be able to sustain its current profit levels if such events or circumstances were to occur. A general downturn or sustained deterioration in the economy of Oman, instability in certain sectors of Oman or regional economy, or major political upheaval therein could have a material adverse effect on the Bank's business, financial condition or results of operations.

Investors should also note that the Bank's business and financial performance and the Bank's ability to make payments due under the Notes could be adversely affected by political, economic and related developments both within and outside the countries in which it operates because of such countries' inter-relationships with global financial markets.

Enforcement of foreign judgments and other proceedings in Oman

Under the Notes the Issuer has submitted to the exclusive jurisdiction of the courts of England. However, since the Issuer is incorporated in and has the majority of its operations and assets in Oman, there may be insufficient assets of the Issuer located outside Oman to satisfy in whole any English judgments obtained in relation to the Notes.

Although Omani law provides for the enforcement of foreign judgments in Oman subject to the conditions set out in Articles 352 to 355 of the Law of Civil and Commercial Procedures (promulgated by Sultani Decree 29/2002, as amended) (the Law of Civil and Commercial Procedures) being met, there have not been any foreign judgments (other than a judgment subject to a Gulf Co-operation Council reciprocity treaty) enforced in Oman. Accordingly, in the absence of the conditions set out in Articles 352 to 355 of the Law of Civil and Commercial Procedures being met, it may be the case that an English judgment against the Issuer may not be enforced before the courts of Oman without a re-examination of the merits and that such a judgment would be of evidential value only in such proceedings.

If any proceedings were brought in Oman in relation to the Notes (whether in connection with the enforcement of an English judgment or otherwise), no assurance can be given that an Omani court would recognise and give effect to the choice of English law as the governing law of all provisions of the Notes, particularly if any provision of English law were considered to be contrary to a mandatory provision of law, public order or morality of Oman or Islamic Shariah principles.

In addition, there is no established system of precedent that would be binding on the courts in Oman. If it was sought to enforce the Notes before the courts in Oman, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Notes would be interpreted and applied by those courts and whether all of the provisions of the Notes would be enforceable. Moreover, although there is a provision of Omani law that protects the right to charge interest, it is not beyond doubt that such law could be challenged as being contrary to Shariah principles.

Foreign arbitral awards may not be recognised before the courts of Oman

Foreign arbitration awards may be enforced in Oman pursuant to (a) treaty obligations; (b) the Law of Civil and Commercial Procedures; or (c) the Law of Arbitration (promulgated by Sultani Decree 47/1997, as amended) (the **Law**

of Arbitration). Oman has acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (promulgated by Sultani Decree 36/1998) (the **Convention**), and ratified the Riyadh Arab Convention of 1983 (promulgated by Sultani Decree 34/1999). In the event an award is passed in a country that is not a signatory to the Convention then it may be possible to enforce such an award in accordance with Articles 352 to 355 of the Law of Civil and Commercial Procedures pursuant to which Omani courts possess an inherent jurisdiction to enforce foreign awards. When considering enforcement of arbitral awards in the above circumstances, Omani courts will need to be satisfied that the following conditions are met (reading "judgment" as "award"): (a) that the foreign judgment was given by a competent arbitration tribunal in accordance with the law of the country the judgment was given in; (b) that the parties to the action in which the foreign judgment was rendered were summoned to appear and were validly represented; and (c) that the judgment or order contained nothing involving a violation of any law in force in Oman, and that it does not conflict with a judgment or order previously rendered by a court in Oman, and includes nothing which offends morals or public order. The Law of Civil and Commercial Procedures also requires that the matter in which the award is rendered is competent to be arbitrated under Omani law and that the award is enforceable in the country in which it is issued. Enforcement of foreign arbitral awards in Oman is also directly available under the provisions of the Law of Arbitration, where the award in question has been rendered: (a) in Oman; or (b) in an international commercial arbitration (for example, an arbitration under London Court of International Arbitration (LCIA) or International Chamber of Commerce (ICC) rules) in which parties have specified that the Law of Arbitration shall apply.

Although the Sultanate of Oman is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the **Convention**), there is only one case which has come before the courts of Oman where a claimant has sought to enforce a foreign arbitral award issued by a contracting state (in this case, the Kingdom of Denmark): Co Ro Foods AS and National Beverages Company (the Co Ro Case). In the Co Ro Case, the Supreme Court in Oman ordered the enforcement of an arbitral award issued in the Kingdom of Denmark in favour of Co Ro Foods AS. The Issuer has no reason to believe that the courts of Oman would not enforce an arbitral award without re-examination or re-litigation subject to the conditions specified above. It should be noted, however, that there is no doctrine of binding precedent under Omani law, although decisions of the Supreme Court of Oman should be persuasive.

Regulation of interest rates under Omani law

The CBO and the Omani Ministry of Commerce and Industry (the MCI) each have the power to regulate interest rates in Oman. It is not clear whether interest on the Notes would fall to be regulated by the CBO or the MCI and (if the latter) what maximum rate of interest would apply to the Notes. There is a current maximum interest rate of 6 per cent. on personal and housing loans imposed by the CBO and a Ministerial Decision 97/2015 (Determining Return in Exchange of Procurement of Loan or Commercial Debt) which is issued pursuant to Article 80 of the Commercial Law (promulgated by Sultani Decree 55/99, as amended) specifies that the maximum "rate of return" that a creditor has the right to receive on a commercial loan or commercial debt is 6.5 per cent. In addition, Omani courts will not enforce interest claims in excess of what the courts of Oman consider just and reasonable. Accordingly, no assurance can be given as regards the enforceability of interest in excess of such amounts to the extent that the matter fell to be considered by Omani courts.

There may be a possibility that the Oman courts, pursuant to a Sultani Decree 2/2013 (the Civil Transactions Law), decide not to enforce provisions of a contract governed by foreign law or a judgment from a foreign court or arbitral award in relation to such provisions which are deemed contrary to Islamic Shariah principles, such as the charging of interest, even if it is permitted by the chosen governing foreign law, although this is at odds with the current practice of the courts in Oman which regularly enforce contracts charging interest and the fact that the charging of interest is expressly permitted under Omani law.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. The Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At any such time, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount or premium (such as Zero Coupon Notes) from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks relating to Renminbi-denominated Notes

Notes denominated in Renminbi (**Renminbi Notes**) may be issued under the Programme. Renminbi Notes contain particular risks for potential investors, including;

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The government of the PRC (the **PRC Government**) continues to regulate conversion between Renminbi and foreign currencies despite significant reduction over the years by the PRC Government of control over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items such as capital contributions, is generally only permitted upon obtaining specific approvals from or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

On 7 April 2011, the State Administration of Foreign Exchange of the PRC (**SAFE**) promulgated the "Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi" (the **SAFE Circular**), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the relevant Ministry of Commerce (**MOFCOM**) to the relevant local branch of SAFE of such onshore enterprise and to register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that foreign debts borrowed, and foreign guarantees provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 13 October 2011, the People's Bank of China (the **PBOC**) promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment" (the **PBOC RMB FDI Measures**) as part of the implementation of the PBOC's detailed foreign direct investment (**FDI**) accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures, which provides more detailed rules relating to cross-border Renminbi direct investments and settlement. On 5 July 2013, the PBOC promulgated the "Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures", which sought to improve the efficiency of the cross-border Renminbi settlement process. For example, where automatic fund remittance occurs, the bank can debit the amount into the relevant account first and subsequently verify the relevant transaction. PBOC further issued the "Circular on the Relevant Issues on Renminbi Settlement of Investment in Onshore Financial Institutions by Foreign Investors" on 23 September 2013, which provides further details for using Renminbi to invest in a financial institution domiciled in the PRC.

On 3 December 2013, the MOFCOM promulgated the "Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (the **MOFCOM Circular**), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

As the SAFE Circular, the PBOC RMB FDI Measures and the MOFCOM Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Renminbi Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi-denominated banking services to Singapore residents, Hong Kong residents and specified business customers. While the PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the **RMB Clearing Banks**), including but not limited to Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the **Settlement Arrangements**) the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all. If Renminbi is not available in certain circumstances as described in the Conditions applicable to Renminbi Notes, the Issuer can make payments in other currencies as set out in the *Terms and Conditions of the Notes*.

Investment in Renminbi Notes is subject to exchange rate risks

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal with respect to Renminbi Notes will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of an investment in U.S. dollar or other applicable foreign currency terms will decline.

In the event that access to Renminbi becomes restricted to the extent that, by reason of RMB Inconvertibility, RMB Non-transferability or RMB Illiquidity (as defined under "*Terms and Conditions of the Notes*"), the Issuer is unable, or it is impossible for it, to pay interest or principal in Renminbi, the Conditions allow the Issuer to make payment in such other currency as may be specified in the applicable Final Terms as the "Relevant Currency" at the prevailing spot rate of exchange, all as provided in more detail in the Conditions. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against such currency as may be specified in the applicable Final Terms as the "Relevant Currency" or other foreign currencies, the value of a holder's investment in such currency as may be specified in the applicable Final Terms as the "Relevant Currency" or other foreign currency terms will decline.

An investment in Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in the RMB Settlement Centre(s) (as defined under "*Terms and Conditions of the Notes*"). Except in the limited circumstances stipulated in Condition 6.7 (as set out in the RMB provisions below), all Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by a Temporary Bearer Global Note, a Permanent Bearer Global Note or a Registered Global Note (each as defined under "*Form of Notes*") held with the common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) or any alternative clearing system, by transfer to a Renminbi bank account maintained in the applicable RMB Settlement Centre(s) in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures or those of such alternative clearing system, as set out in the applicable Final Terms; or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in the RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than as described in the Conditions of the Notes, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementation rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise holders or individual holders may be subject to PRC enterprise income tax (**EIT**) or PRC individual income tax (**IIT**) if such gain is regarded as income derived from sources within the PRC. While the PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise Noteholders from the transfer of the Notes, its implementation rules have reduced the EIT rate to 10 per cent. In accordance with the PRC Individual Income Tax Law and its implementation rules (as amended from time to time), any gain realised by a non-PRC resident individual Noteholder from the transfer of the Notes may be regarded as being sourced from the PRC and thus be subject to IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident individual Noteholder from the transfer of the Notes. However, there remains uncertainty as to whether the gain realised from the transfer of the Renminbi Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and their respective implementation rules. If such gains are determined as income sourced in the PRC by the relevant PRC tax authorities, (i) the non-PRC resident enterprise Noteholders may be subject to EIT at the rate of 10 per cent. of the gains derived by such non-PRC resident enterprise Noteholders and (ii) the non-PRC resident individual Noteholders may be subject to IIT at the rate of 20 per cent. of the gains derived by such non-PRC resident individual Noteholders, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC resident enterprise or individual resident holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT), the value of their investment in the Renminbi Notes may be materially and adversely affected.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain Written Resolutions on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Agency Agreement (as defined under "*Terms and Conditions of the Notes*") and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer will be entitled to rely upon:

(i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series for the time being outstanding; and

(ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer by accountholders in the clearing systems with entitlements to such global note or certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Issuer has obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/instruction and prior to effecting such resolution;

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Agency Agreement, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held.

These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. For further details of such matters and the relevant majorities required at meetings of Noteholders, see Condition 16 and the corresponding provisions of the Agency Agreement.

The Conditions also provide that the Issuing and Principal Paying Agent and the Issuer may, without the consent of Noteholders, agree to (i) any modification of the Notes, the Coupons or the Agency Agreement which is, in the sole opinion of the Issuer, not prejudicial to the interests of the Noteholders and the Couponholders; or (ii) any modification of the Notes, the Coupons or the Agency Agreement which is, in the sole opinion of the Issuer, of a formal, minor or technical nature or is, in the sole opinion of the Issuer, made to correct a manifest or proven error or to comply with mandatory provisions of the law. Any such modification shall be binding on the Noteholders and the Couponholders.

The value of the Notes could be adversely affected by a change in tax law

Statements in this Base Prospectus concerning the taxation of investors are of a general nature and are based upon current law and practice in the jurisdictions stated. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors. In addition, any change in legislation or in practice in a relevant jurisdiction could adversely impact the ability of the Issuer to make payments under the Notes and/or the market value of the Notes.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes

U.S. Foreign Account Tax Compliance Act Withholding

Whilst the Notes are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, *société anonyme* (together the **ICSDs**), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) will affect the amount of any payment received by the ICSDs (see "*Taxation – Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of, the common depositary for the ICSDs (as bearer or registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an **IGA**) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

The value of the Notes could be adversely affected by a change in English and/or Omani law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law, as the case may be, or administrative practice after the date of this Base Prospectus nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the relevant Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Bearer Notes and may be adversely affected if definitive Bearer Notes are subsequently required to be issued

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination (as defined in the Final Terms) plus one or more higher integral multiples of another smaller amount, it is possible that such Bearer Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds a principal amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Bearer Notes at or in excess of the minimum Specified Denomination such that its holding amounts to one or more Specified Denominations. Further, a holder who, as a result of trading such amounts, holds a principal amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should definitive Bearer Notes be printed) and would need to purchase a principal amount of Bearer Notes at or in excess of the minimum Specified Denomination such that its holding amounts to one or more Specified Denominations.

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

The Notes will be held in global form, subject to limited exceptions, and traded in the clearing systems

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

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

Conflicts of interest – Calculation Agent

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a calculation agent), including with respect to certain determinations and judgements that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may adversely affect the market value of the Notes.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any adverse change in an applicable credit rating could adversely affect the trading price of the Notes that have been issued.

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

Taxation risks on payments

Payments made by the Issuer in respect of the Notes could become subject to taxation. Condition 8 (*Taxation*) requires the Issuer to pay additional amounts in certain circumstances in the event that any withholding, retention, or deduction for, or on account of, any present or future taxes, levies, imports, fees, duties, assessments or governmental charges of whatever nature is imposed, levied, collected, withheld or assessed by or on behalf of Oman or any authority therein or thereof having power to tax in respect of payments under the Notes or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer of principal or interest on the Notes or Coupons become generally subject to tax such that net amounts received by the holders of the Notes after such withholding, retention, or deduction shall equal the respective amounts of principal and distributions which would otherwise have been receivable in respect of the Notes in the absence of such withholding, retention, or deduction.

The circumstances described above may entitle the Issuer to redeem all (but not some only) of the Notes.

Enforcement under Omani Law

The insolvency regime in Oman is relatively untested with limited guidance as to how the legislative framework concerning debt securities will be applied in practice by the courts in Oman

In the event of the Bank's insolvency, Omani bankruptcy law will apply and such law may adversely affect the Bank's ability to perform its obligations under the Agency Agreement, the Deed of Covenant and/or the Notes, and obtaining a final bankruptcy judgment in Oman may take several years. There is little precedent to predict how any claims by Noteholders against the Bank would be resolved in the event of the Bank's insolvency and therefore there can be no assurance that Noteholders will receive payment of their claims in full or at all in these circumstances.

Choice of law

If any proceedings were brought in Oman in relation to the Notes (whether in connection with the enforcement of an English judgment or otherwise), pursuant to the Civil Transactions Law of Oman (promulgated by Sultani Decree 29/3013) (the Civil Code), the Omani court would recognise and give effect to the choice of English law as the governing law of the Notes, unless any provision of English law was considered to be contrary to a mandatory provision of law, public order or morality of Oman or Islamic *Shariah* principles.

Enforcing foreign judgments in Oman

Under the Conditions of the Notes, if the holders of the Notes elect for court proceedings in England, the Bank has submitted to the exclusive jurisdiction of the courts of England. However, since the Bank is incorporated in and has the majority of its operations and assets in Oman, there may be insufficient assets of the Bank located outside Oman to satisfy in full any English judgments obtained in relation to the Notes.

Although Omani law provides for the enforcement of foreign judgments in Oman subject to the conditions set out in Articles 352 to 355 of the Law of Civil and Commercial Procedures (promulgated by Sultani Decree 29/2002, as amended) (the Law of Civil and Commercial Procedures) being met, there have not been any foreign judgments (other than a judgment subject to a Gulf Co-operation Council reciprocity treaty) enforced in Oman. Accordingly, in the absence of the conditions set out in Articles 352 to 355 of the Law of Civil and Commercial Procedures being met, it may be the case that an English judgment against the Bank may not be enforced before the courts of Oman without a re-examination of the merits and that such a judgment may only be of evidential value in such proceedings.

Enforcing foreign arbitral awards in Oman

Foreign arbitration awards may be enforced in Oman pursuant to (a) treaty obligations, (b) the Law of Civil and Commercial Procedures or (c) the Law of Arbitration (SD 47/1997, as amended) (the Law of Arbitration). Oman has acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (SD 36/1998) (the Convention), and ratified the Riyadh Arab Convention of 1983 (SD 34/1999). In the event an award is passed in a country that is not a signatory to the New York Convention then it may be possible to enforce such an award in accordance with Articles 352 to 355 of the Law of Civil and Commercial Procedures pursuant to which Omani courts possess an inherent jurisdiction to enforce foreign awards. When considering enforcement of arbitral awards in the above circumstances, Omani courts will need to be satisfied that the following conditions are met (reading "judgment" as "award"): (a) that the foreign judgment was given by a competent arbitration tribunal in accordance with the law of the country the judgment was given in; (b) that the parties to the action in which the foreign judgment was rendered were summoned to appear and were validly represented; and (c) that the judgment or order contained nothing involving a violation of any law in force in Oman, and that it does not conflict with a judgment or order previously rendered by a court in Oman, and includes nothing which offends morals or public order. The Law of Civil and Commercial Procedures also requires that the matter in which the award is rendered is competent to be arbitrated under Omani law and that the award is enforceable in the country in which it is issued. Enforcement of foreign arbitral awards in Oman is also directly available under the provisions of the Law of Arbitration, where the award in question has been rendered: (a) in Oman; or (b) in an international commercial arbitration (for example, an arbitration under London Court of International Arbitration (LCIA) or International Chamber of Commerce (ICC) rules) in which parties have specified that the Law of Arbitration shall apply.

However, although Oman is a party to the Convention, there is only one case which has come before the courts of Oman where a claimant has sought to enforce a foreign arbitral award issued by a contracting state (in this case, the Kingdom of Denmark), being Co Ro Foods AS and National Beverages Company. The Bank has no reason to believe that the courts of Oman would not enforce an arbitral award (without re-examining the merits of the case), subject to the conditions specified above. It should be noted, however, that there is no doctrine of binding precedent under Omani law, although decisions of the Supreme Court of Oman should be persuasive.

No binding precedent

Oman is a civil law jurisdiction and judicial precedents in Oman have no binding effect on subsequent decisions. In addition, court decisions in Oman are generally not recorded. These factors create greater judicial uncertainty.

Regulation of Interest Rates under Omani Law

The CBO and the Ministry of Commerce and Industry (the **MOCI**) each have the power to regulate interest rates in Oman. There is a current maximum interest rate of 6 per cent. on personal and housing loans imposed by the CBO and a Ministerial Decision 97/2015 (Determining Return in Exchange of Procurement of Loan or Commercial Debt), which is issued pursuant to Article 80 of the Oman Commercial Law (Royal Decree 55/99, as amended) (the **Ministerial Decision**), specifies that the maximum "return" that a creditor has the right to receive on a commercial loan or commercial debt is 6.5 per cent. The Ministerial Decision does not apply to transactions conducted by commercial banks regulated by the CBO. Interest rates (other than those for consumer loans) are currently unregulated under the CBO regulatory regime. It is not clear however, whether the issuance of the Notes by the Bank would constitute a transaction conducted by commercial banking regulated by the CBO, and as such whether it would fall to be regulated by Ministerial Decision 97/2015 of the MOCI referred to above.

In addition to the regulations of the MOCI and the CBO, Omani courts will not enforce interest claims in excess of what the courts of Oman consider just and reasonable. Accordingly, no assurance can be given as regards the enforceability of interest in excess of such amounts to the extent that the matter fell to be considered by Omani courts. There may be a possibility that the Omani courts, pursuant to the Civil Code, decide not to enforce provisions of a contract governed by foreign law or a judgment from a foreign court or arbitral award in relation to such provisions which are deemed contrary to *Shariah* principles, such as the charging of interest, even if it is permitted by the chosen governing foreign law, although this is inconsistent with the current practice of the courts in Oman, which regularly enforce contracts charging interest and the fact that the charging of interest is expressly permitted under Oman law.

Change in law

The Conditions are governed by English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to English law after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the financial statements as at and for the year ended 31 December 2015 of the Bank together with the audit report thereon (an electronic copy of which is available at http://bankdhofar.com/UploadedFiles/UserMedia/file/InvestorRelations/en/annual_report_en_140316.pdf); and

(b) the financial statements as at and for the year ended 31 December 2014 of the Bank together with the audit report thereon (an electronic copy of which is available at http://bankdhofar.com/UploadedFiles/UserMedia/file/InvestorRelations/en/FinalFS-BankDhofarSAOG.pdf).

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London.

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

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

OVERVIEW OF THE PROGRAMME

This general description must be read as an introduction to this Base Prospectus and any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole. This overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplemental Base Prospectus will be published.

Words and expressions defined in "*Form of the Notes*", "*Terms and Conditions of the Notes*" and "*Description of the Bank*" shall have the same meanings in this summary.

Issuer:	Bank Dhofar S.A.O.G., a public joint stock company, incorporated in the Sultanate of Oman.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under or in connection with Notes issued under the Programme. These are set out under "*Risk Factors*" and include risks relating to the political and economic environment in the Middle East generally, risks relating to the ability to enforce judgments in Oman and general banking risks including exchange rate and credit risks. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of a particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arrangers:	HSBC Bank plc National Bank of Abu Dhabi P.J.S.C.
Dealers:	Arab Banking Corporation B.S.C. BNP Paribas Crédit Agricole Corporate and Investment Bank HSBC Bank plc National Bank of Abu Dhabi P.J.S.C. and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*").
Issuing and Principal Paying Agent:	The Bank of New York Mellon, London Branch
Registrar:	The Bank of New York Mellon (Luxembourg) S.A.
Programme Size:	Up to U.S.$500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent

body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price: Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes: The Notes will be issued in bearer or registered form as described in "*Form of the Notes*".

Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption: The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Denomination of Notes: The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer, as specified in the applicable Final Terms, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading in a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as at the date of issue of the Notes).

Taxation: All payments in respect of the Notes will be made without withholding, retention or deduction for or on account of taxes imposed by any Tax Jurisdiction unless the withholding, retention or deduction is required by law as provided in Condition 8. In

	the event that any such withholding, retention or deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 10.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.
Rating:	The Programme has been assigned long-term senior unsecured provisional ratings of (P)Baa1 by Moody's and BBB(EXP) by Fitch. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and admission to trading:	Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and for such Notes to be admitted to trading on the Main Securities Market. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law and Dispute Resolution:	The Programme Agreement, the Agency Agreement, the Deed of Covenant and the Notes and any non-contractual obligations arising out of, or in connection with the Programme Agreement, the Agency Agreement, the Deed of Covenant and the Notes will be governed by, and shall be construed in accordance with, English law. In respect of any dispute, claim, difference or controversy under the Notes, the Programme Agreement, the Agency Agreement, the Deed of Covenant and the Notes, the Issuer has consented to arbitration in accordance with the LCIA Arbitration Rules unless any Dealer (in the case of the Programme Agreement), Agent (in the case of the Agency Agreement) or Noteholder (in the case of the Deed of Covenant) elects to have the dispute, claim, difference or controversy resolved by a court of law, in which case the English courts will have exclusive jurisdiction to settle such dispute.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified denomination of less than €100,000 or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom, Japan, Hong Kong, the PRC, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, Bahrain, Qatar (including the QFC), Oman, Kuwait and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C/TEFRA D/TEFRA not applicable, as specified in the applicable Final Terms.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note**) in each case, as so specified in the applicable Final Terms which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg. Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation and, at maturity, surrender of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Issuing and Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, such Temporary Bearer Global Note will be exchangeable in whole or in part (free of charge) upon a request as described therein either for (a) a Permanent Bearer Global Note of the same Series or (b) for security printed definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Issuing and Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event, in each case, as specified in the applicable Final Terms. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the common depositary on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Issuing and Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Principal Paying Agent.

The following legend will appear on all Permanent Bearer Global Notes and definitive Bearer Notes which have an initial maturity of more than 365 days and on all interest coupons relating to such Bearer Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

Each Tranche of Registered Notes will initially be represented by a global note in registered form (a **Registered Global Note**). Registered Global Notes will be deposited with a common depositary for, and registered in the name of a nominee of such common depositary for, Euroclear and Clearstream, Luxembourg. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Notes will be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Notes in the manner set out in Condition 6.4. None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (in each case, acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

General

Pursuant to the Agency Agreement, the Issuing and Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes of the Series (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such nominal amount of Notes (and the bearer or registered holder of the relevant Global Note shall be deemed not to be the holder) for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of the Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

Electronic Consent and Written Resolution

While any Temporary Bearer Global Note or Permanent Bearer Global Note is held on behalf of, or any Registered Global Note is registered in the name of any nominee for a depositary common to, a clearing system, then:

(i) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an Electronic Consent as defined in the Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and

(ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consents or instructions given in writing directly to the Issuer by accountholders in the clearing system with entitlements to such Global Note or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "**commercially reasonable evidence**" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, (a) will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 15 April 2016 and executed by the Issuer, and (b) will have no further rights under such Global Note (but without prejudice to the rights which such holders or any other person may have under the Deed of Covenant).

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[*Date*]

BANK DHOFAR S.A.O.G.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the U.S.$500,000,000

Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 15 April 2016 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of the Prospectus Directive (Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) to the extent implemented in the relevant Member State of the European Economic Area, and including any relevant implementing measure in the relevant Member State of the European Economic Area) (for the purposes of these Final Terms, the **Prospectus Directive**). [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing during normal business hours at the registered office of the Issuer (Bank Dhofar Building, Bank Al Markazi Street, Post Box 1507, Ruwi, Postal Code 112, Sultanate of Oman) and the Issuing and Principal Paying Agent (One Canada Square, London, E14 5AL, United Kingdom) and copies may be obtained from those offices and has been published on the Issuer's website (www.bankdhofar.com). The Base Prospectus and these Final Terms have been published on the Central Bank of Ireland's website (http://www.centralbank.ie).][1]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms*.]

1.	Issuer:		Bank Dhofar S.A.O.G.
2.	(a)	Series Number:	[ ]
	[(b)	Tranche Number:	[ ]]
	(b)	Date on which the Notes will be consolidated and form a single Series:	[The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date]/[exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below, which is expected to occur on or about [*date*]]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	[(b)	Tranche:	[ ]]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denominations: (*in the case of Registered Notes, this means the minimum*	[ ] [ ]

[1] Delete all Prospectus Directive language where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

integral amount in which transfers can be made)

(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))

(*Note — for Notes, where multiple denominations above [€100,000] or equivalent and multiples of a lower principal amount (e.g. €1,000) are being used the following sample wording should be followed*:

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")

(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €100,000 minimum denomination is not required.)

(b) Calculation Amount: [ ]

(*If only one Specified Denomination, insert the Specified Denomination*.

If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

7. (a) Issue Date: [ ]

(b) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]

(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes*)

8. Maturity Date: [*Fixed rate — specify date*/*Floating rate* — Interest Payment Date falling in or nearest to [*specify month and year*]]

(*Note that for Renminbi denominated Fixed Rate Notes where the Interest Payment Dates and the amount of interest to be paid on such Interest Payment Dates are subject to modification in accordance with a Business Day Convention, it will be necessary to use the following wording: "Interest Payment Date falling in or nearest to* [*specify month and year*]")

9. Interest Basis: [[ ] per cent. Fixed Rate]
[[EURIBOR/LIBID/LIBOR/SHIBOR/HIBOR/SIBOR/KLIBOR/EIBOR/SAIBOR/BBSW/AUD LIBOR/JPY LIBOR/PRIBOR/CNH HIBOR/TRLIBOR or TRYLIBOR/TIBOR] +/– [ ] per cent. Floating Rate]
[Zero Coupon]

[(see paragraphs 14, 15 and 16 below)]

10. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount

11. Change of Interest Basis: [*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there*][Not Applicable]

12. Put/Call Options: [Investor Put]
[Issuer Call]
[(see paragraphs 20 and 21 below)]

13. (a) Status of the Notes: Senior

	(b)	[Date [Board] approval for issuance of Notes obtained:	[ ] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]/[*specify other*] (*N.B. This will need to be amended in the case of long or short coupons*) (*For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates and the amount of interest to be paid on such Interest Payment Dates are subject to modification, specify a Business Day Convention in paragraph 14(c) below (which is expected to be the Modified Following Business Day Convention) and add the words ", subject to adjustment in accordance with the Business Day Convention. For these purposes, "Business Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the applicable RMB Settlement Centre" after "Maturity Date" in this subparagraph (b)*)
	(c)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
	(d)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form*)	[ ] per Calculation Amount (*For Renminbi denominated Fixed Rate Notes where Interest Payment Dates and the amount of interest to be paid on such Interest Payment Dates are subject to modification in accordance with a Business Day Convention, the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards."*)
	(e)	Broken Amount(s): (*Applicable to Notes in definitive form*)	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(f)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or Actual/365 (Fixed)[2]]
	(g)	Determination Date(s):	[[ ] in each year] [Not Applicable] *(N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
15.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ] [Subject to adjustment in accordance with the Business Day Convention set out in (b) below/Not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]

[2] Applicable to Renminbi denominated fixed Rate Notes.

(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/Not applicable]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Principal Paying Agent):	[ ] [Not applicable]
(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] month [[EURIBOR/LIBID/LIBOR/SHIBOR/HIBOR/SIBOR/KLIBOR/EIBOR/SAIBOR/BBSW/AUD LIBOR/JPY LIBOR/PRIBOR/CNH HIBOR/TRLIBOR or TRYLIBOR/TIBOR]
	• Interest Determination Date(s):	[ ]
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately or, in the case of EIBOR, if not Reuters AEIBOR, ensure it is a page which shows a composite rate*)
	• Relevant Time:	[ ]
	• Relevant Financial Centre:	[ ]
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*)
(h)	Linear Interpolation:	[Not Applicable/Applicable – the rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(i)	Margin(s):	[+/ –] [ ] per cent. per annum
(j)	Minimum Rate of Interest:	[ ] per cent. per annum

	(k)	Maximum Rate of Interest:	[ ] per cent. per annum
	(l)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)
16.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 7.4		Minimum period: [ ] days Maximum period: [ ] days
18.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]
	(d)	Notice periods:	Minimum period: [5] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Principal Paying Agent*)
19.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount

	(c) Notice periods:	Minimum period: [15] days Maximum period: [ ] days (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Principal Paying Agent*)
20.	Final Redemption Amount:	[[ ] per Calculation Amount]
21.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[ ] per Calculation Amount (*N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time]*/[only upon an Exchange Event]] [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time]*/[only upon an Exchange Event]]] [Registered Notes: Registered Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg] (*N.B. Those options indicated above with an "*" should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€*100,000*] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes*.)
23.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this paragraph relates to the date of payment and not Interest Period end dates to which item 15(c) relates*)
24.	Talons for future Coupons to be attached to Definitive Bearer Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
25.	RMB Settlement Centre(s):	[ ] [Not Applicable]
26.	RMB Currency Event:	[Applicable/Not Applicable]
27.	Relevant Currency for Condition [*RMB Currency Event*]:	[ ][Not Applicable]
28.	Relevant Spot Rate Screen Pages for Condition [*RMB Currency Event*]:	(i) Relevant Spot Rate Screen Page (Deliverable Basis): [ ] [Not Applicable] (ii) Relevant Spot Rate Screen Page (Non-deliverable Basis): [ ] [Not

Applicable]

(*For U.S. dollars, use Reuters Screen Page TRADCNY and Reuters Screen Page TRADNDF, respectively.*)

29.	Party responsible for calculating the Spot Rate for Condition [*RMB Currency Event*]:	[*give name* (the **Calculation Agent**)][Not Applicable]

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of Bank Dhofar S.A.O.G.:

By: ....
Duly authorised

PART B— OTHER INFORMATION

1. LISTING

(i)	Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) to the Irish Stock Exchange for the Notes to be admitted to trading on its regulated market with effect from [ ].] [Not Applicable.]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[*insert details*]] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*].

Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended)[. [*Insert the legal name of the relevant non-EU CRA entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation]]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings have been endorsed by [*insert the legal name of the relevant EU-registered CRA entity*] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU CRA entity*] is established in the European Union and registered under the CRA Regulation[. As such [*insert the legal name of the relevant EU CRA entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] The European Securities and Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/Argentina/Mexico/Brazil (delete as appropriate)] which have been endorsed by [*insert the legal name of the relevant EU CRA entity that applied for registration*] may be used in the EU by the relevant market participants.]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), but it

[is]/[has applied to be] certified in accordance with the CRA Regulation[[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation][[OR:] although notification of the corresponding certification decision has not yet been provided by the European Securities and Markets Authority and [*insert the legal name of the relevant non-EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[*Insert the legal name of the relevant CRA entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority [and [*insert the legal name of the relevant CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU CRA entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU CRA entity*][, although notification of the corresponding registration decision has not yet been provided by the European Securities Markets Authority and [*insert the legal name of the relevant EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/Argentina/Mexico/Brazil (delete as appropriate)] which have been endorsed by [*insert the legal name of the relevant EU CRA entity that applied for registration*] may be used in the EU by the relevant market participants.]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – *Amend as* *appropriate if there are other interests*]

4. **YIELD** *(Fixed Rate Notes Only)*

Indication of yield:	[ ] per cent. per annum on an annual basis. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. **OPERATIONAL INFORMATION**

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]

6. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/give names]
(iii)	Date of [Subscription] Agreement:	[ ]
(iv)	Stabilisation Manager(s) (if any)	[Not Applicable/*give name*]
(v)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(vi)	U.S. Selling Restrictions:	[Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, subject to completion in accordance with the provisions of Part A of the relevant Final Terms, will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Bank Dhofar S.A.O.G. (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note;

(c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as further amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 15 April 2016 and made between the Issuer, The Bank of New York Mellon, London Branch as issuing and principal paying agent (the **Issuing and Principal Paying Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Issuing and Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), The Bank of New York Mellon (Luxembourg) S.A. as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (if any) (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. For the purposes of the Conditions, the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as amended and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 15 April 2016 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection and/or collection (in physical or electronic form) during normal business hours at the specified office of the Issuing and Principal Paying Agent, the Registrar and each of the Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the **Agents**). Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Issuing and Principal Paying Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and the denomination (the "**Specified Denomination(s)**") specified in the applicable Final Terms, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note, as the case may be, shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement and the terms of the Registered Global Note.

2.2 Transfers of Registered Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent and the Registrar, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 6 to the Agency Agreement).

Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

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

3. STATUS OF THE NOTES

The Notes and any relevant Coupons, are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank at all times *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding. The Issuer shall execute such instruments and do or take any such action as may be required by the Sultanate of Oman to ensure the effectiveness of such ranking following any change in any law or regulation relating thereto which becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and which requires the Issuer to take such action.

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any of the Notes or Coupons remains outstanding (as defined in the Agency Agreement), the Issuer will not, and the Issuer shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon, or with respect to, the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, other than a Permitted Security Interest, without (a) at the same time or prior thereto securing the Notes and Coupons equally and rateably therewith or (b) providing such other Security Interest or other arrangement for the Notes as may be approved by Extraordinary Resolution (as defined in the Agency Agreement).

4.2 Interpretation

For the purpose of these Conditions:

Non-recourse Project Financing means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that (i) any Security Interest given by the Issuer or any of its Subsidiaries in connection therewith is limited solely to the assets of the project, (ii) the Persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced and (iii) there is no other recourse to the Issuer or any of its Subsidiaries in respect of any default by any Person under the financing;

Permitted Security Interest means:

(a) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;

(b) any Security Interest arising by operation of law, provided that such Security Interest is discharged within 30 days of arising;

(c) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer and not created in contemplation of such acquisition and which does not extend to other assets or property (other than proceeds of such acquired assets or property), provided that the maximum amount of Relevant Indebtedness or Relevant Sukuk Obligation thereafter secured by such Security Interest does not exceed the higher of the purchase price of such property or the Relevant Indebtedness or Relevant Sukuk Obligation incurred solely for the purpose of financing the acquisition of such property;

(d) any Security Interest granted to secure a Non-recourse Project Financing or to secure any Relevant Indebtedness or Relevant Sukuk Obligation incurred in connection with a Securitisation;

Person means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, including, without limitation, state or agency of a state or other entity, whether or not having separate legal personality;

Relevant Indebtedness means any present or future indebtedness (whether being principal, premium, interest or other amounts) which is in the form of, or represented or evidenced by, certificates, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange or over the-counter or other securities market;

Relevant Sukuk Obligation means any present or future undertaking or other obligation to pay any money given in connection with the issue of certificates or other securities issued in connection with any Islamic financing, whether or not in return for consideration of any kind, which for the time being are, or are intended to be or are capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market;

Securitisation means any securitisation (Islamic or otherwise) of existing or future assets and/or revenues, provided that (i) any Security Interest given by the Issuer or any of its Subsidiaries in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation, (ii) each Person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues securitised as the principal source of repayment for the moneys advanced or payment of any other liability and (iii) there is no other recourse to the Issuer or any of its Subsidiaries in respect of any default by any Person under the securitisation;

Security Interest means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

Subsidiary means, in relation to any Person (the **first Person**) at any particular time, any other Person (the **second Person**):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

In the case of a Fixed Rate Note where the Specified Currency is Renminbi and the applicable Final Terms specifies a Business Day Convention to be applicable (an **Adjusted Renminbi Fixed Rate Note**), each Interest Payment Date (and, accordingly, the relevant Fixed Interest Period) will be adjusted (if required) in accordance with the relevant Business Day Convention. For this purpose, the provisions relating to the application of a Business Day Convention set out in Condition 5.2(a) below shall apply to this Condition 5.1, *mutatis mutandis*, save that, for the purposes of the Conditions relating to an Adjusted Renminbi Fixed Rate Note, the term **Business Day** shall mean a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the applicable RMB Settlement Centre(s) (as defined in Condition 6.7 below).

Interest shall be calculated in respect of any period for which an applicable Fixed Coupon Amount or Broken Amount is not specified in the applicable Final Terms and in respect of the Fixed Interest Periods relating to Adjusted Renminbi Fixed Rate Notes by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes or Adjusted Renminbi Fixed Rate Notes, as the case may be, which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or

(B) in the case of Fixed Rate Notes or Adjusted Renminbi Fixed Rate Notes, as the case may be, in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note or Adjusted Renminbi Fixed Rate Notes, as the case may be, in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note or Adjusted Renminbi Fixed Rate Notes, as the case may be, shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

As used in these Conditions:

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

(c) if "Actual/365" (Fixed) is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

Fixed Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

sub-unit means, with respect to any currency other than U.S. dollar, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each **Interest Period** (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest

Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, unless otherwise specified **Business Day** means a day which is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than the TARGET2 System) specified in the applicable Final Terms;

(b) if the TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

(c) either (i) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (iii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets in the applicable RMB Settlement Centre(s) are generally open for business and settlement of Renminbi payments in the applicable RMB Settlement Centre(s).

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issuing and Principal Paying Agent under an interest rate swap transaction if the Issuing and Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Issuing and Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Issuing and Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of sub-paragraph (ii)(A) above, no offered quotation appears or, in the case of sub-paragraph (ii)(B) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Issuing and Principal Paying Agent shall request each of the Reference Banks (the contact details (including individual contacts) at such Reference Banks to be provided to the Issuing and Principal Paying Agent by the Issuer) provide the Issuing and Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issuing and Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Issuing and Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issuing and Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Issuing and Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Issuing and Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR, LIBID, AUD LIBOR, JPY LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Shanghai inter-bank market (if the Reference Rate is SHIBOR), or the Hong Kong inter-bank market (if the Reference Rate is HIBOR or CNH HIBOR), or the Singapore inter-bank market (if the Reference Rate is SIBOR), or the Kuala Lumpur inter-bank market (if the Reference Rate is KLIBOR), or the Emirates inter-bank market (if the Reference Rate is EIBOR), or the Saudi Arabia inter-bank market (if the Reference Rate is SAIBOR), or the Australia inter-bank market (if the Reference Rate is BBSW), or the Prague inter-bank market (if the Reference Rate is PRIBOR), or the Turkish inter-bank market (if the Reference Rate is TRLIBOR or TRYLIBOR), or the Tokyo inter-bank market (if the Reference Rate is TIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issuing and Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Issuing and Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR, LIBID, AUD LIBOR, JPY LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Shanghai inter-bank market (if the Reference Rate is SHIBOR), or the Hong Kong inter-bank market (if the Reference Rate is HIBOR or CNH HIBOR), or the Singapore inter-bank market (if the Reference Rate is SIBOR), or the Kuala Lumpur inter-bank market (if the Reference Rate is KLIBOR), or the Emirates inter-bank market (if the Reference Rate is EIBOR), or the Saudi Arabia inter-bank market (if the Reference Rate is SAIBOR), or the Australia inter-bank market (if the Reference Rate is BBSW), or the Prague inter-bank market (if the Reference Rate is PRIBOR), or the Turkish inter-bank market (if the Reference Rate is TRLIBOR or TRYLIBOR), or the Tokyo inter-bank market (if the Reference Rate is TIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

As used in these Conditions:

Reference Rate means one of the following benchmark rates (as specified in the applicable Final Terms) in respect of the currency and period specified in the applicable Final Terms:

(A) Euro interbank offered rate (**EURIBOR**);

(B) London interbank bid rate (**LIBID**);

(C) London interbank offered rate (**LIBOR**);

(D) Shanghai interbank offered rate (**SHIBOR**);

(E) Hong Kong interbank offered rate (**HIBOR**);

(F) Singapore interbank offered rate (**SIBOR**);

(G) Kuala Lumpur interbank offered rate (**KLIBOR**);

(H) Emirates interbank offered rate (**EIBOR**);

(I) Saudi Arabia interbank offered rate (**SAIBOR**);

(J) Bank Bill Swap Rate (**BBSW**);

(K) Australian dollar LIBOR (**AUD LIBOR**);

(L) Japanese Yen LIBOR (**JPY LIBOR**);

(M) Prague interbank offered rate (**PRIBOR**);

(N) CNH Hong Kong interbank offered rate (**CNH HIBOR**);

(O) Turkish Lira interbank offered rate (**TRLIBOR** or **TRYLIBOR**); and

(P) Tokyo interbank offered rate (**TIBOR**);

Relevant Financial Centre shall mean (i) London, in the case of a determination of LIBOR; (ii) Brussels, in the case of a determination of EURIBOR; (iii) Tokyo, in the case of a determination of TIBOR; or (iv) Hong Kong, in the case of a determination of HIBOR or CNH HIBOR, as specified in the applicable Final Terms, or such other financial centre as specified in the relevant Final Terms; and

Relevant Time shall mean: (a) 11.00 a.m. (London time, in the case of a determination of LIBOR, LIBID, AUD LIBOR, JPY LIBOR, Brussels time, in the case of a determination of EURIBOR, Shanghai time, in the case of a determination of SHIBOR, Hong Kong time, in the case of a determination of HIBOR, Singapore time, in the case of a determination of SIBOR, Kuala Lumpur time, in the case of a determination of KLIBOR, Dubai time, in the case of a determination of EIBOR, Riyadh time, in the case of a determination of SAIBOR, Sydney time, in the case of a determination of BBSW, Prague time, in the case of a determination of PRIBOR, Istanbul time, in the case of a determination of TRLIBOR or TRYLIBOR, or Tokyo time, in the case of a determination of TIBOR); or (b) 11.15 a.m. Hong Kong time in the case of a determination of CNH HIBOR; or (c) Relevant Financial Centre time in the case of a determination of any other Reference Rate.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Issuing and Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Issuing and Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate; and (b) in relation to ISDA Determination, the Designated Maturity.

(f) Notification of Rate of Interest and Interest Amounts

The Issuing and Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, by the Issuing and Principal Paying Agent shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Issuing and Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default, fraud or manifest error) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Issuing and Principal Paying Agent (or, if applicable, the Calculation Agent) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(h) Appointment of alternative Calculation Agent

If the Issuing and Paying Agent is unable or unwilling to, or if the Calculation Agent fails to, establish or determine the Rate of Interest and Interest Amount for any Interest Period, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market that is most closely connected with the calculation or determination to be made by the Issuing and Paying Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place.

5.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Issuing and Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and

(c) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the payee with a bank in the applicable RMB Settlement Centre(s).

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

6.2 Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such

Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**): (i) where in global form, at the close of the business day before the relevant due date (a "business day" being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business); and (ii) where in definitive form, at the close of business on the fifth (in the case of Renminbi) and the third (in the case of a currency other than Renmnibi) business day before the relevant due date (business day being for this purpose a day on which banks are open for business and settle payments in the city where the specified office of the Registrar is located). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Renminbi, means the Renminbi account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro and Renminbi) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro and (in the case of a payment in Renminbi) a bank in the applicable RMB Settlement Centre(s).

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register: (i) where in global form, at the close of the business day before the relevant due date (business day being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business); and (ii) where in definitive form, at the close of business on the fifth day (in the case of Renminbi) and at the close of business on the fifteenth day (in the case of a currency other than Renminbi) (whether or not such fifth day (in the case of Renminbi) or fifteenth day (in the case of a currency other than Renminbi) is a business day), before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

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

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer's payment obligations hereunder will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

  (i) in the case of Notes in definitive form only, the relevant place of presentation;

  (ii) each Additional Financial Centre (other than the TARGET2 System) specified in the applicable Final Terms; and

(b) if the TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

(c) either (A) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (C) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets in the applicable RMB Settlement Centre(s) are generally open for business and settlement of Renminbi payments in the applicable RMB Settlement Centre(s).

6.7 RMB Currency Event

If "RMB Currency Event" is specified as being applicable in the applicable Final Terms and a RMB Currency Event exists on a date for payment of any amount in respect of any Note or Coupon, the Issuer's obligation to make a payment in RMB under the terms of the Notes may be replaced by an obligation to pay such amount in the Relevant Currency specified in the applicable Final Terms converted using the Spot Rate for the relevant Rate Calculation Date.

Upon the occurrence of a RMB Currency Event, the Issuer shall give irrevocable notice as soon as practicable and not less than five days prior to the due date for payment to the Noteholders in accordance with Condition 14 stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of these Conditions:

Governmental Authority means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the applicable RMB Settlement Centre(s);

HKMA means the Hong Kong Monetary Authority;

Rate Calculation Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the applicable RMB Settlement Centre(s), London and the principal financial centre of the country of the Relevant Currency;

Rate Calculation Date means the day which is two Rate Calculation Business Days before the due date of the relevant payment under the Notes;

Renminbi or **RMB** means the lawful currency for the time being of the People's Republic of China (the **PRC**), which, for these purposes, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan;

RMB Currency Events means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

RMB Illiquidity means the general RMB exchange market in the applicable RMB Settlement Centre(s) becomes illiquid as a result of which the Issuer cannot obtain sufficient RMB in order to make any payment (in whole or in part) due under the Notes, as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the RMB exchange market in the applicable RMB Settlement Centre(s);

RMB Inconvertibility means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes into RMB in the general RMB exchange market in the applicable RMB Settlement Centre(s), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

RMB Non-Transferability means the occurrence of any event that makes it impossible for the Issuer to deliver RMB between accounts inside the applicable RMB Settlement Centre(s) or from an account inside the applicable RMB Settlement Centre(s) to an account outside the applicable RMB Settlement Centre(s) (including where the RMB clearing and settlement system for participating banks in the applicable RMB Settlement Centre(s) is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

RMB Settlement Centre(s) means the financial centre(s) specified as such in the applicable Final Terms in accordance with applicable laws and regulations. If no RMB Settlement Centre is specified in the applicable Final Terms, the RMB Settlement Centre shall be deemed to be Hong Kong; and

Spot Rate means the spot RMB/Relevant Currency exchange rate for the purchase of the Relevant Currency with RMB in the over-the-counter Renminbi exchange market in the applicable RMB Settlement Centre(s) for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (local time in the applicable RMB Currency Centre(s)) on the Rate Calculation Date, on a deliverable basis by reference to the Relevant Spot Rate Screen Page (Deliverable Basis), or if no such rate is available, on a non-deliverable basis by reference to the Relevant Spot Rate Screen Page (Non-deliverable Basis), each as specified in the applicable Final Terms. If neither rate is available, the Calculation Agent shall determine the spot rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in the applicable RMB Settlement Centre(s) or elsewhere and the RMB/Relevant Currency exchange rate in the PRC domestic foreign exchange market.

6.8 RMB account

Notwithstanding the foregoing, all payments in respect of any Note in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in the applicable RMB Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in the applicable RMB Settlement Centre(s)).

6.9 Interpretation of principal and interest

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

(a) any additional amounts which may be payable with respect to principal under Condition 8;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and

(f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount and in the relevant Specified Currency on the Maturity Date in each case as specified in the applicable Final Terms.

7.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Issuing and Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Issuing and Principal Paying Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given:

(a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14; and

(b) not less than the minimum period nor more than the maximum period of the notice referred to in (a) above, notice to the Issuing and Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

7.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7.4 in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with Condition 2.2, in each case accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Issuing and Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Issuing and Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Issuing and Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

7.5 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its **Early Redemption Amount** calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1 + AY)^y$ where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.6 Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the relevant Subsidiary, surrendered to any Paying Agent for cancellation.

7.7 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Issuing and Principal Paying Agent and cannot be reissued or resold.

7.8 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Issuing and Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding, retention or deduction for or on account of any present or future taxes or duties of whatever nature (**Taxes**) imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding, retention or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding, retention or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding, retention or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) the holder of which is liable for such Taxes in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6); or

(c) for or on account of any withholding or deduction arising under or in connection with any agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law in any jurisdiction implementing any intergovernmental approach thereto.

As used herein:

(i) **Tax Jurisdiction** means the Sultanate of Oman or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer of principal or interest on the Notes or Coupons become generally subject to tax; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issuing and Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

(a) the Issuer fails to pay any amount of principal, premium, if any, or interest in respect of any of the Notes when due and payable and such failure continues for a period of seven days in the case of principal and premium and 14 days in the case of interest; or

(b) the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer; or

(c) (i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary; or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any Guarantee of any Indebtedness; provided that the amount of Indebtedness referred to in (i) and/or (ii) above and/or the amount payable under any Guarantee referred to in (iii) above, as applicable, either alone or when aggregated with all other indebtedness in respect of which such an event shall have occurred and be continuing shall be more than U.S.$10,000,000 (or its equivalent in any other currency or currencies); or

(d) it is or will, for any reason whatsoever, become unlawful, or is declared by a court of competent jurisdiction to be no longer binding on, or no longer enforceable against, the Issuer to perform or comply with any of its obligations under or in respect of the Notes; or

(e) one or more final, non-appealable judgment(s) or final, non-appealable order(s) for the payment of an aggregate amount in excess of U.S.$10,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed and unappealed (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of 15 days) for a period of 30 days after the date(s) thereof or the date therein specified for payment, if later; or

(f) a secured party takes possession of, or a receiver, administrator, administrative receiver, manager or other similar officer is appointed of, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against, the whole or a material part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, or any security over the whole or a material part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries becomes enforceable, or any steps are taken (including those listed in this paragraph (f)) to enforce such security; or

(g) (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Issuer or any of its Material Subsidiaries or the whole or a material part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is appointed (or application for any such appointment is made); (iii) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or a moratorium is agreed or declared or comes into effect in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it; or

(h) an administrator is appointed, an order is made or an effective resolution is passed for the winding up, liquidation, dissolution or administration of the Issuer or any of its Material Subsidiaries or the Issuer or any of its Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or a material part of its business or operations, in each case except: (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of Notes; or (ii) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or

(i) any event occurs which under the laws of the Sultanate of Oman or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (g) and (h) above; or

(j) any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes; (ii) to ensure that those obligations are legal, valid, binding and enforceable; and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Sultanate of Oman is not taken, fulfilled or done; or

(k) (i) all or a material part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or (ii) the Issuer or any of its Material Subsidiaries is prevented by any such Person from exercising normal control over all or a material part of its undertaking, assets and revenues,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Issuing and Principal Paying Agent, effective upon the date of receipt thereof by the Issuing and Principal Paying Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purposes of these Conditions:

a material part means greater than or equal to 50 per cent.

Guarantee means, in relation to any Indebtedness of any Person, any obligation present or future of another Person to pay such Indebtedness including (without limitation):

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness.

Indebtedness means any present or future indebtedness of any Person for money borrowed or raised, including (without limitation) deposits and any indebtedness for or in respect of:

(i) amounts raised by acceptance under any acceptance credit facility;

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing.

Material Subsidiary means any Subsidiary of the Issuer whose revenues, profits or assets from time to time represent not less than 10 per cent. of the consolidated revenues, profits or assets of the Issuer from time to time as shown in the Issuer's most recent audited financial statements (or, if more recent, interim financial statements).

11. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer, the Issuing and Principal Paying Agent and the Registrar may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

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

(a) there will at all times be an Issuing and Principal Paying Agent and, in the case of Registered Notes, a Registrar and a Transfer Agent; and

(b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

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

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in the Republic of Ireland (which is expected to be the Irish Times) or published on the website of the Irish Stock Exchange plc (www.ise.ie) or, if in either case such publication is not practicable, in a leading English Language newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a manner which complies with those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Issuing and Principal Paying Agent or Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Issuing and Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. CURRENCY INDEMNITY

If, under any applicable law and whether pursuant to a judgment being made or registered against the Issuer or in the liquidation, insolvency or any similar process of the Issuer or for any other reason, any payment under or in connection with the Notes or the Coupons is made or falls to be satisfied in a currency (the **other currency**) other than the Specified Currency, then, to the extent that the payment (when converted into the Specified Currency at the rate of exchange on the date of payment or, if it is not practicable for the relevant recipient to purchase the Specified Currency with the other currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so or, in the case of a liquidation, insolvency or analogous process, at the rate of exchange on the latest date permitted by applicable law for the determination of liabilities in such liquidation, insolvency or analogous process) actually received by the relevant recipient falls short of the amount due under these Conditions, the Issuer undertakes that it shall, as a separate and independent obligation, indemnify and hold harmless the recipient against the amount of the shortfall. For the purpose of this Condition, **rate of exchange** means the rate at which the relevant recipient is able on the London foreign exchange market on the relevant date to purchase the Specified Currency with the other currency and shall take into account any premium and other reasonable costs of exchange.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons present and holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons present whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Agency Agreement (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or amending the Deed of Covenant in certain respects), the quorum shall be two or more persons present and holding or representing not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting two or more persons present and holding or representing not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting at which such resolution was passed and whether or not voting, and on all Couponholders.

The Issuing and Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is not, in the sole opinion of the Issuer, prejudicial to the interests of the Noteholders and the Couponholders; or

(b) any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is, in the sole opinion of the Issuer, of a formal, minor or technical nature or is, in the sole opinion of the Issuer, made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consent through the relevant clearing system(s) (in a form satisfactory to the Issuing and Principal Paying Agent) by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and Couponholders. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Agency Agreement, the Deed of Covenant, these Conditions (including the remaining provisions of this Condition 19), the Notes, the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

19.2 Arbitration

Subject to Condition 19.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes, the Coupons and/or the Talons or these Conditions (including any dispute as to their existence, validity, interpretation, performance, breach or termination of the Notes or the consequences of the nullity of any of them and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration (the **LCIA**) (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Condition 19.2. For these purposes:

(a) the seat of arbitration shall be London, England;

(b) there shall be three arbitrators each of whom shall be disinterested in the arbitration, shall have no connection with any party to the Dispute and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the

LCIA. If the party-nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

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

19.3 Option to litigate

Notwithstanding Condition 19.2 above, any Noteholder or Couponholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

(a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(b) in the event no arbitration has commenced,

require that a Dispute be heard by a court of law (a **Notice to Litigate**). If a Notice to Litigate is given, the Dispute to which such notice refers shall be determined in accordance with Condition 19.5 and, subject as provided below, any arbitration commenced under Condition 19.2 in respect of that Dispute will be terminated. Each party to the terminated arbitration will bear its own costs in relation thereto.

19.4 Termination of Arbitral Proceedings

If a Notice to Litigate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder(s) or Couponholder(s) must also promptly give notice to the LCIA Court and any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(b) his entitlement to be paid his proper fees and disbursements; and

(c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

19.5 Provisions relating to Judicial Proceedings

In the event that a notice pursuant to Condition 19.3 is issued, the following provisions shall apply:

(a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer irrevocably submits to the exclusive jurisdiction of such courts;

(b) the Issuer has waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute and will not argue to the contrary; and

(c) this Condition 19.5 is for the benefit of the Noteholders and the Couponholders only. As a result, and notwithstanding paragraphs (a) and (b) above, the Noteholders and Couponholders may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, any Noteholders or Couponholder may take concurrent Proceedings in any number of jurisdictions.

19.6 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at its registered office at Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX as its authorised agent for service of process in England. If for any reason such agent shall be unable or unwilling to act as agent for service of process, the Issuer shall forthwith appoint a new agent for service of process in England and shall notify the Noteholders and Couponholders of such appointment. The Issuer will procure that, so long as any of the Notes remains outstanding, a person with an office in London shall be appointed to accept service. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition 19 shall affect the right to serve process in any other manner permitted by law.

19.7 Waiver of immunity

To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably and unconditionally waives such immunity to the fullest extent permitted by the laws or such jurisdiction. Further, the Issuer irrevocably and unconditionally consents to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any Proceedings or Disputes.

19.8 Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

SELECTED FINANCIAL INFORMATION

The following financial information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Bank's Financial Statements and the related notes thereto and the other information included elsewhere in the Base Prospectus.

The following table sets forth selected information extracted from the audited financial information of the Bank as at and for the years ended 31 December 2015, 2014 and 2013.

The statement of comprehensive income data and statement of financial position data has been presented in Rials and, for convenience only, in U.S. dollars using an exchange rate of U.S.$1 = RO 0.3850. Comparative figures presented in United States dollars in this Base Prospectus have been provided for illustrative purposes only.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	As at 31 December 2015		As at 31 December 2014		As at 31 December 2013	
ASSETS	*RO '000*	*US$ '000*	*RO '000*	*US$ '000*	*RO '000*	*US$ '000*
Cash and balances with Central Bank of Oman	439,833	1,142,423	584,370	1,517,844	345,758	898,073
Loans and advances to banks	138,036	358,535	91,164	236,790	121,370	315,247
Loans and advances to customers..................	2,729,306	7,089,106	2,254,705	5,856,377	1,901,910	4,940,026
Available –for-sale investments	35,802	92,992	26,886	69,834	24,635	63,987
Held-to-maturity investments........................	169,391	439,977	149,988	389,579	153,366	398,353
Intangible assets	1,986	5,158	2,383	6,190	2,780	7,221
Property and equipment	8,795	22,844	9,683	25,151	10,903	28,319
Other assets	69,912	181,590	74,948	194,670	44,657	115,992
TOTAL ASSETS...	**3,593,061**	**9,332,626**	**3,194,127**	**8,296,434**	**2,605,379**	**6,767,218**
LIABILITIES						
Due to banks	308,864	802,244	175,013	454,579	106,334	276,192
Deposits from customers...............................	2,592,371	6,733,431	2,482,179	6,447,218	2,031,746	5,277,262
Other liabilities	111,422	289,408	107,742	279,849	88,692	230,369
Subordinated loans..	103,875	269,805	103,875	269,805	75,000	194,805
TOTAL LIABILITIES	**3,116,532**	**8,094,888**	**2,868,809**	**7,451,452**	**2,301,772**	**5,978,628**
SHAREHOLDERS' EQUITY						
Share capital..	154,473	401,229	134,324	348,894	121,013	314,320
Share premium	40,018	103,943	40,018	103,943	40,018	103,943
Special reserve	18,488	48,021	18,488	48,021	18,488	48,021
Legal reserve	40,214	104,452	35,537	92,304	31,492	81,797
Subordinated loan reserve	62,025	161,104	41,250	107,143	26,250	68,182
Investment revaluation reserve......................	327	849	(46)	(119)	1,754	4,556
Retained earnings	45,484	118,140	55,747	144,797	64,592	167,771
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK	**361,029**	**937,738**	**325,318**	**844,982**	**303,607**	**788,590**
Perpetual Tier 1 Capital Securities	**115,000**	**300,000**	**-**	**-**	**-**	**-**
TOTAL EQUITY	**476,529**	**1,237,738**	**325,318**	**844,982**	**303,607**	**788,590**
TOTAL LIABILITIES AND EQUITY	**3,593,061**	**9,332,626**	**3,194,127**	**8,296,434**	**2,605,379**	**6,767,218**

STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS

	For the year ended 31 December 2015		For the year ended 31 December 2014		For the year ended 31 December 2013	
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*RO '000*	*US$ '000*
Interest income	118,173	306,943	106,782	277,356	100,037	259,836
Interest expense	(33,695)	(87,519)	(33,202)	(86,239)	(33,696)	(87,522)
Net interest income	84,478	219,423	73,580	191,117	66,341	172,314
Income from Islamic financing and investment activities	7,683	19,956	3,625	9,416	188	488
Profit expenses	(1,954)	(5,075)	(417)	(1,083)	(15)	(39)
Net income from Islamic financing and Investment activities	5,729	14,881	3,208	8,332	173	449
Fees and commission income	17,019	44,205	13,483	35,021	9,828	25,527
Fees and commission expense	(1,729)	(4,491)	(1,335)	(3,468)	(923)	(2,397)
Net fees and commission income	15,290	39,714	12,148	31,553	8,905	23,130
Other income	9,729	25,270	9,915	25,753	14,139	36,725
OPERATING INCOME	**115,226**	**299,288**	**98,851**	**256,756**	**89,558**	**232,618**
Staff and administrative costs	(47,862)	(124,317)	(42,580)	(110,597)	(41,777)	(108,512)
Depreciation	(3,337)	(8,668)	(3,583)	(9,306)	(3,539)	(9,192)
Operating expenses	**(51,199)**	**(132,984)**	**(46,163)**	**(119,904)**	**(45,316)**	**(117,704)**
PROFIT FROM OPERATIONS	**64,027**	**166,304**	**52,688**	**136,852**	**44,242**	**114,914**
Provision for loan impairment	(14,305)	(37,156)	(11,658)	(30,281)	(7,388)	(19,190)
Recoveries from allowance for loan impairment	5,522	14,343	4,724	12,270	3,155	8,195
Bad debts written off	(1)	(3)	—	—	(1)	(3)
Impairment of available-for-sale investments	(2,742)	(7,122)	—	—	—	—
Recovery from a legal case	—	—	—	—	26,129	67,868
PROFIT FROM OPERATIONS AFTER PROVISION	**52,501**	**136,366**	**45,754**	**118,842**	**66,137**	**171,784**
Income tax expense	(5,736)	(14,899)	(5,301)	(13,769)	(7,730)	(20,078)
PROFIT FOR THE YEAR	**46,765**	**121,468**	**40,453**	**105,073**	**58,407**	**151,706**
OTHER COMPREHENSIVE INCOME						
Items that are or may be reclassified to statement of income:						
Net changes in fair value of available-for-sale investments	(2,238)	(5,813)	(1,159)	(3,010)	2,447	6,356
Impairment of available- for-sale investments	2,742	7,122	—	—	—	—
Reclassification adjustment on sale of available-for-sale investments	(131)	(340)	(641)	(1,665)	(2,249)	(5,842)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**47,138**	**122,436**	**38,653**	**100,397**	**58,605**	**152,220**

STATEMENT OF CHANGES IN EQUITY HIGHLIGHTS

	Share Capital	Share premium	Special reserve	Legal reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier Capital Security	Total Equity
	RO '000	*RO '000*		*RO '000*	*RO '000*	*RO '000*	*RO '000*	*RO '000*	*RO '000*	*RO '000*
1 January 2015	**134,324**	**40,018**	**18,488**	**35,537**	**41,250**	**(46)**	**55,747**	**325,318**	—	**325,318**
Total comprehensive income for the year										
Net profit for the year	—	—	—	—	—	—	46,765	46,765	—	46,765
Other comprehensive income for the year										
Net change in fair value of available-for-sale investments..................	—	—	—	—	—	(2,238)	—	(2,238)	—	(2,238)
Transfer to statement of income on sale of available-for-sale investments...	—	—	—	—	—	(131)	—	(131)	—	(131)
Impairment of available-for-sale investments......................................	—	—	—	—	—	2,742		2,742	—	2,742
Total comprehensive income for the year	—	—	—	—	—	**373**	**46,765**	**47,138**	—	**47,138**
Transfer to legal reserve	—	—	—	4,677	—	—	(4,677)	—	—	—
Transfer to subordinated loan reserve	—	—	—	—	20,775	—	(20,775)	—	—	—
Proceeds from Perpetual Tier 1 capital securities	—	—	—	—	—	—	—	—	115,500	115,500
Perpetual Tier 1 Issuance cost	—	—	—	—	—	—	(755)	(755)	—	(755)
Additional Tier 1 Coupon	—	—	—	—	—	—	(3,956)	(3,956)	—	(3,956)
Transactions with owners recorded directly in equity										
Dividend paid for 2014	—	—	—	—	—	—	(6,716)	(6,716)	—	(6,716)
Bonus shares issued for 2014	20,149	—	—	—	—	—	(20,149)		—	
31 December 2015	**154,473**	**40,018**	**18,488**	**40,214**	**62,025**	**327**	**45,484**	**361,029**	**115,500**	**476,529**
Balance at 1 January 2015 – in USD'000...	**348,894**	**103,943**	**48,021**	**92,304**	**107,143**	**(119)**	**144,797**	**844,982**	—	**844,982**
Balance at 31 December 2015 – in USD'000...	**401,229**	**103,943**	**48,021**	**104,452**	**161,104**	**849**	**118,140**	**937,738**	**300,000**	**1,237,738**

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

	Share Capital	Share premium	Special reserve	Legal reserve	Subordinated loans reserve	Investment revaluation reverse	Retained earnings	Total Equity
	RO '000	*RO '000*	*RO '000*	*RO '000*	*RO '000*	*RO '000*	*RO '000*	*RO '000*
Balance at 1 January 2014 – in USD'000..	**314,319**	**103,943**	**48,021**	**81,797**	**68,182**	**4,556**	**167,771**	**788,590**
Balance at 31 December 2014 – in USD'000..	**348,894**	**103,943**	**48,021**	**92,304**	**107,143**	**(119)**	**144,797**	**844,982**

	Share Capital	Share premium	Special reserve	Legal reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total Equity
	RO '000	*RO '000*	*RO '000*	*RO '000*	*RO '000*	*RO '000*	*RO '000*	*RO '000*
Balance at 1 January 2013.......	**110,012**	**40,018**		**25,652**	**11,250**	**1,556**	**73,016**	**261,504**
Total comprehensive income for the year								
Profit for the year.......................	—	—	—	—	—	—	58,407	58,407
Other comprehensive income for the year								
Net change in fair value of available-for-sale investments....	—	—	—	—	—	2,447	—	2,447
Transfer to statement of income on sale of available-for –sale investments................................	—	—	—	—	—	(2,249)	—	(2,249)
Impairment of available-for-sale investments.........................	—	—	—	—	—	—	—	—
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**198**	**58,407**	**58,605**
Transfer to legal reserve.............	—	—	—	5,840	—	—	(5,840)	—
Transfer to subordinated loan reserve	—	—	—		15,000	—	(15,000)	—
Transfer to special reserve	—	—	18,488		—	—	(18,488)	—
Transactions with owners recorded directly in equity								
Dividend paid for 2012	—	—	—	—	—	—	(16,502)	(16,502)
Bonus shares issued for 2012	11,001	—	—	—	—	—	(11,001)	—
Balance at 31 December 2013..	**121,013**	**40,018**	**18,488**	**31,492**	**26,250**	**1,754**	**64,592**	**303,607**
Balance at 1 January 2013 – in USD'000....................................	**285,745**	**103,943**	**—**	**66,628**	**29,221**	**4,042**	**189,652**	**679,231**
Balance at 31 December 2013 – in USD'000.............................	**314,320**	**103,943**	**48,021**	**81,797**	**68,182**	**4,556**	**167,771**	**788,590**

STATEMENT OF CASH FLOWS HIGHLIGHTS

	For the year ended 31 December 2015		For the year ended 31 December 2014		For the year ended 31 December 2013	
OPERATING ACTIVITIES	*RO '000*	*US$ '000*	*RO '000*	*US$ '000*	*RO '000*	*US$ '000*
Interest, financing income, commission and other receipts	145,569	378,101	129,793	337,125	119,825	311,234
Interest payments	(36,171)	(93,951)	(33,639)	(87,374)	(33,041)	(85,821)
Cash payments to suppliers and employees	(39,817)	(103,421)	(51,397)	(133,499)	(16,560)	(43,013)
(Decrease)/Increase in operating assets						
Loans and advances to customers..	(483,384)	(1,255,543)	(359,729)	(934,361)	(233,636)	(606,847)
Loans and advances to banks	(4,688)	(12,177)	(12,117)	(31,473)	(8,006)	(20,795)
Receipts from treasury bills and certificates of deposits (net)	(154)	(400)	(15,416)	(40,042)	(34,186)	(88,795)
Increase in operating liabilities						
Deposits from customers....................................	110,192	286,213	450,433	1,169,956	397,118	1,031,475
Due to banks	132,960	345,351	68,478	177,865	17,946	46,613
Net cash (used in)/from operating activities	(175,493)	(455,826)	176,406	458,197	209,460	544,052
Income tax paid	(5,392)	(14,005)	(7,580)	(19,688)	(4,978)	(12,930)
Net cash (used in)/from operating activities ...	**(180,885)**	**(469,831)**	**168,826**	**438,509**	**204,482**	**531,122**

	For the year ended 31 December 2015		For the year ended 31 December 2014		For the year ended 31 December 2013	
CASH FLOW FROM INVESTING ACTIVITIES	*RO '000*	*US$ '000*	*RO '000*	*US$ '000*	*RO '000*	*US$ '000*
Investment income..	2,856	7,418	1,960	5,091	1,972	5,122
Purchase of investments....................................	(9,976)	(25,912)	(12,786)	(33,210)	(24,653)	(64,034)
Proceeds from sale of investments...	1,629	4,231	8,827	22,927	11,517	29,914
Dividend received	718	1,865	757	1,966	399	1,036
Purchase of property and equipment	(2,586)	(6,717)	(2,410)	(6,260)	(5,094)	(13,231)
Proceeds from sale of property and equipment...	176	457	186	483	178	462
Net cash used in investing activities	**(7,183)**	**(18,657)**	**(3,466)**	**(9,003)**	**(15,681)**	**(40,730)**

	For the year ended 31 December 2015		For the year ended 31 December 2014		For the year ended 31 December 2013	
CASH FLOW FROM FINANCING ACTIVITIES	*RO '000*	*US$ '000*	*RO '000*	*US$ '000*	*RO '000*	*US$ '000*
Subordinated loan	—	—	28,875	75,000	—	—
Proceeds from issue of perpetual tier 1 capital securities……………	115,500	300,000	—	—	—	—
Additional tier 1 coupon	(3,956)	(10,275)				
Perpetual tier 1 capital securities issuance cost	(755)	(1,961)	—	—	—	—
Dividend paid	(6,716)	(17,444)	(16,942)	(44,005)	(16,502)	(42,862)
Net cash from/(used in) financing activities	**104,073**	**270,319**	**11,933**	**30,995**	**(16,502)**	**(42,862)**
Net change in cash and cash equivalents...	**(83,995)**	**(218,169)**	**177,293**	**460,501**	**172,299**	**447,530**
Cash and cash equivalents at the beginning of the year....................................	602,548	1,565,060	425,255	1,104,558	252,956	657,029
Cash and cash equivalents at the end of the year...	**518,553**	**1,346,891**	**602,548**	**1,565,060**	**425,255**	**1,104,558**
Cash and balances with Central Bank of Oman	**439,833**	**1,142,423**	**584,370**	**1,517,844**	**345,758**	**898,073**
Capital deposit with Central Bank of Oman...	(500)	(1,299)	(500)	(1,299)	(500)	(1,299)
Loans and advances to banks due within 90 days	61,660	160,156	19,476	50,587	61,800	160,519
Treasury bills within 90 days	19,249	49,997	—	—	18,794	48,816
Due to banks within 90 days	(1,689)	(4,387)	(798)	(2,073)	(597)	(1,551)
Cash and cash equivalents for the purpose of	**518,553**	**1,346,891**	**602,548**	**1,565,060**	**425,255**	**1,104,558**

	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2013
the cash flow statement....................................			

SELECTED FINANCIAL RATIOS

	As at/for the year ended 31 December		
	2015	**2014**	**2013**
	(%)	(%)	(%)
Return on average assets[1]..	1.38	1.40	2.46
Return on average total equity[2]	11.66	12.86	20.67
Return on average total equity – excluding legal case recovery in 2013	11.66	12.86	12.53
Return on average shareholders' equity[2a]…………………………	13.63	12.86	20.67
Return on average shareholders' equity – excluding legal case recovery in 2013	13.63	12.86	12.53
Net interest margin[3]	2.84	2.81	2.98
Non-interest/financing income to operating income[4]...................................	21.71	22.32	25.73
Cost to income ratio[5]...	44.43	46.70	50.60
Loans to deposit ratio[6]	105.28	90.84	93.61
Total customers' deposits/total deposits[7]	89.35	93.41	95.03
Non-performing loans and financings ratio[8]..	2.30	2.55	2.95
Non-performing loans and financings coverage ratio[9].................................	151.88	146.59	137.91
Capital adequacy ratio[10]	14.70	14.05	14.09
Tier 1 capital ratio[10]	12.68	10.76	11.07

1 Net profit for the relevant period divided by average total assets. For year ended 31 December, the average total assets is the opening assets for the year plus closing assets for the year divided by 2.

2 Net profit for the relevant period divided by average total equity (shareholders' equity plus Additional Tier 1 Capital). Average total equity as at/for the year ended 31 December is the opening total equity plus closing total equity divided by 2.

2a Net Profit for the relevant period divided by average shareholders' equity. Average shareholders' equity as at/for the year ended 31 December is the opening shareholders' equity plus closing shareholders' equity divided by 2.

3 Net interest/financing income plus net income from Islamic financing and investment activities including interest income on government development bonds and other bonds divided by average income earning assets. For year ended 31 December, the average income earning assets is the opening income earning assets for the year plus closing income earning assets for the year divided by 2.

4 Net fees and commission income plus Other income divided by Operating Income.

5 Total operating expenses divided by total operating income.

6 Loans, advances and financing activities for customers (net) divided by customers' deposits.

7 Customers' deposits divided by Customers' deposits plus deposits due to banks.

8 Non-performing loans and financing divided by gross loans and financing.

9 Total loan loss provisions (including the portfolio provision for risk inherent in the Bank's portfolio) divided by total nonperforming loans and financing.

10 Calculated in accordance with CBO regulations.

RELATED PARTY TRANSACTIONS

Details of all transactions where a Board member and/or other related parties might have a potential interest are provided to the Board for their review and approval, and the interested Board member neither participates in the discussions, nor do they vote on such matters. On a half yearly basis, as at 30 June and 31 December of each financial year, the details of the related party transactions are produced and submitted to the CBO and other regulatory bodies for information and proper disclosure. Details of all the related party transactions are provided to the shareholders as part of the financial statements submitted for approval at the annual general meeting along with the statement that transactions are on an arm's length and independent basis and are reasonable.

In the ordinary course of business, the Bank conducts transactions with certain of its directors and/or shareholders and companies over which they have significant interest. The aggregate amounts of transactions and balances with such related parties for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 are as follows.

	As at / For the year ended 31 December		
	2015	**2014**	**2013**
	RO '000	*RO '000*	*RO '000*
Loans and advances			
Directors and shareholders holding 10% or more interest in the Bank...	34,559	21,162	45,921
Other related parties..	11,943	9,803	14,680
	46,502	30,965	60,601
Subordinated loans			

	As at / For the year ended 31 December		
	2015	**2014**	**2013**
	RO '000	*RO '000*	*RO '000*
Directors and shareholders holding 10% or more interest in the Bank	48,663	54,438	40,000
Other related parties	40,775	40,775	35,000
	89,438	95,213	75,000
Deposits and other accounts			
Directors and shareholders holding 10% or more interest in the Bank	257,649	325,022	314,609
Other related parties	82,517	87,515	79,131
	340,166	412,537	393,740
Contingent liabilities and commitments			
Directors and shareholders holding 10% or more interest in the Bank	142	174	159
Other related parties	1,618	1,816	1,807
	1,760	**1,990**	**1,966**
Remuneration paid to Directors			
Chairman			
– remuneration proposed	16	17	15
– sitting fees paid	10	10	10
Other Directors			
– remuneration proposed	103	116	99
– sitting fees paid	71	57	76
	200	**200**	**200**
Other transactions			
Rental payment to related parties	468	380	464
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	32	32	32
Other transactions	79	70	65

The Bank's senior management compensation amounts are set out below for the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

	For the year ended 31 December		
	2015	2014	2013
Key management compensation	*RO '000*	*RO '000*	*RO '000*
Salaries and other benefits	1,235	956	1,570
End of service benefits	—	—	21
Total	**1,235**	**956**	**1,591**

FINANCIAL REVIEW

The following discussion contains an analysis of the audited results of operations of the Bank as at and for the years ended 31 December 2015, 31 December 2014 and 31 December 2013. The financial data disclosed in this financial review should be read in conjunction with the Bank's Financial Statements and the related notes thereto. Unless otherwise specified, the financial data discussed below has been extracted without material adjustment from the Bank's Financial Statements and the related notes thereto, as included elsewhere in this Base Prospectus.

Overview

The Bank was established in the Sultanate of Oman on January 1990 as a public joint stock company (under registration no. 1/29110-6) and is engaged in retail banking, wholesale banking and investment banking services.

As at 31 December 2015, the Bank was the second largest listed bank in Oman by total assets, representing approximately 11.8 per cent. of total assets, 14.1 per cent. of total loans, advances and financing and 13.4 per cent. of total deposits (source: CBO Quarterly Statistical Bulletin as at 31 December 2015). As at the date of this Base Prospectus, the Bank offers its services and products exclusively from within Oman and has no international operations.

For the year ended 31 December 2015, the Bank's net profit was RO 46.8 million compared to RO 40.5 million for the year ended 31 December 2014, representing an increase of 15.6 per cent. and a decrease of 19.9 per cent. compared to RO 58.4 million for the year ended 31 December 2013. The Bank's net profit of RO 58.4 million for the year ended 31 December 2013 included a legal case recovery of RO 26.1 million (or RO 23.0 million net of taxes). With the exclusion of this legal case recovery, the Bank's net profit for the year ended 31 December 2013 was RO 35.4 million. The Bank's net profit for the year ended 31 December 2015 increased by 15.6 per cent. compared to the year ended 31 December 2014. The Bank's net profit for the year ended 31 December 2014 increased by 14.2 per cent. compared to the year ended 31 December 2013 (with the exclusion of the legal case recovery noted above).

Its total assets amounted to RO 3,593.1 million as at 31 December 2015, representing an increase of 12.5 per cent. compared to RO 3,194.1 million as at 31 December 2014, which in turn constituted an increase of 22.6 per cent. compared to RO 2,605.4 million as at 31 December 2013.

Shareholders' equity amounted RO 361.0 million as at 31 December 2015, representing an increase of 10.9 per cent. compared to RO 325.3 million as at 31 December 2014, which in turn constituted an increase of 7.2 per cent. from RO 303.6 million as at 31 December 2013.

Since 1 January 2014, the Bank has been required by the CBO to maintain a minimum total capital adequacy ratio of 12.625 per cent. The Bank's total capital adequacy ratio (calculated in accordance with CBO guidelines) as at 31 December 2015 was 14.7 per cent. compared to 14.1 per cent. as at 31 December 2014 and 14.1 per cent. as at 31 December 2013. The Bank's Tier 1 capital ratio was 12.7 per cent. as at 31 December 2015, compared to 10.8 per cent. as at 31 December 2014 and 11.1 per cent. as at 31 December 2013.

As at 31 December 2015, the authorised ordinary share capital of the Bank comprised 2,200,000,000 ordinary shares of RO 0.100 each and the issued and fully paid-up ordinary share capital of the Bank comprised 1,544,728,546 ordinary shares of RO 0.100 each. As at 31 December 2015, Dhofar International Development and Investment Company SAOG, Eng. Abdul Hafidh Salim Rajab Al Aujaili and his related companies and the Civil Service Employees' Pension Fund held 28.00 per cent., 20.84 per cent. and 10.21 per cent. of the Bank's issued share capital, respectively.

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

Significant Factors Affecting Results of Operations

The Bank's revenues and results of operations during the periods under review have been affected by the following factors:

CBO's regulatory guidelines affecting retail clients

The CBO's regulatory guidelines issued in 2012 reduced the debt burden ratio for individuals (the ratio of equated monthly instalment to borrowers' income) from 65 per cent. to 50 per cent. The Bank is required to undertake diligence to ensure that this limit is not surpassed when entering into new loan agreements. CBO guidelines also:

- reduced the permitted interest rate cap on loans from banks to individuals from 8 per cent. to 6 per cent.;
- reduced the Bank's lending limit (excluding mortgages) from 40 per cent. to 35 per cent. of gross loans and advances; and

- limited the tenor of unsecured loans to individual clients to a maximum of 10 years.

These guidelines have had a negative impact on the Bank's retail earnings since 2012. See "*The Sultanate of Oman Banking System and Prudential Regulations*".

Liquidity

High levels of liquidity in the banking sector in Oman, together with limits in place for overseas exposures, have lowered the yields and margins within the banking sector to approximately 4.8 per cent. in 2015 compared to 5.1 per cent. in 2014 and 5.4 per cent. in 2013 (source: CBO December 2015 Quarterly, December 2014 Quarterly and December 2013 Quarterly Statistical Bulletins).

Corporate loan losses

The Bank had corporate loan losses for the year ended 31 December 2015 of RO 0.78 million (compared to RO 0.23 million for the year ended 31 December 2014 and RO 0.61 million for the year ended 31 December 2013). The majority of these amounts for the year ended 31 December 2015 is due to the new CBO requirement (that was issued in December 2015 and subsequently revised in January 2016) which requires banks to provide 10 per cent. of specific provisions on rescheduled standard facilities.

Results of Operations for the years ended 31 December 2015 and 31 December 2014

Operating income

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

	For the years ended 31 December				**Percentage change**
		2015		**2014**	**2015/2014**
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Interest income	118,173	306,943	106,782	277,356	10.7
Interest expense	(33,695)	(87,519)	(33,202)	(86,239)	1.5
Net interest income	84,478	219,423	73,580	191,117	14.8
Net income from Islamic financing and investment activities	5,729	14,881	3,208	8,332	78.6
Net interest and financing income	90,207	234,304	76,788	199,149	17.5
Fees and commission income	17,019	44,205	13,483	35,021	26.2
Fees and commission expense	(1,729)	(4,491)	(1,335)	(3,468)	29.5
Net fees and commission income	15,290	39,714	12,148	31,553	25.9
Other income	9,729	25,270	9,915	25,753	(1.9)
Operating income	**115,226**	**299,288**	**98,851**	**256,756**	**16.6**

The Bank's total operating income increased by 16.6 per cent. to RO 115.2 million for the year ended 31 December 2015 compared to RO 98.9 million for the year ended 31 December 2014. This increase was principally a result of a 17.5 per cent. increase in net interest and financing income from loans and advances and financing to customers.

Interest income

The Bank's interest income increased by 10.7 per cent. to RO 118.2 million for the year ended 31 December 2015 compared to RO 106.8 million for the year ended 31 December 2014. This increase was due to an increase in the volume of loans and advances and financing to customers and the development of relationships with new customers.

Interest expense

The Bank's interest expense increased by 1.5 per cent. to RO 33.7 million for the year ended 31 December 2015 compared to RO 33.2 million for the year ended 31 December 2014. This increase was principally due to an increase in deposits and a marginal rise in the cost of funds compared to the previous financial year.

Net Interest income

The Bank's net interest income increased by 14.8 per cent. to RO 84.5 million for the year ended 31 December 2015 compared to RO 73.6 million for the year ended 31 December 2014. This increase was due to an increase in interest income by 10.7 per cent. which was offset by a nominal increase in interest expense by 1.5 per cent.

Net Income from Islamic financing and Investment Activities

The Bank's net income from Islamic financing and investment activities increased to RO 5.7 million for the year ended 31 December 2015 compared to RO 3.2 million for the year ended 31 December 2014. This increase was primarily due to a 111.9 per cent. increase in income from Islamic financing and investment activities from RO 3.6 million in the year ended 31 December 2014 to RO 7.7 million in the year ended 31 December 2015.

Net Fees and Commission income

The Bank's net fees and commission income increased by 25.9 per cent. to RO 15.3 million for the year ended 31 December 2015 compared to RO 12.1 million for the year ended 31 December 2014. This increase was principally due to an improvement in performance achieved across all business segments and a focus by the Bank on the improvement of its non-funded income activities.

Other income

The Bank's other income decreased by 1.9 per cent. to RO 9.7 million for the year ended 31 December 2015 compared to RO 9.9 million for the year ended 31 December 2014. This decrease was a result of a 26.1 per cent. decrease in the Bank's miscellaneous income to RO 3.4 million for the year ended 31 December 2015 compared to RO 4.6 million for the year ended 31 December 2014 due to a 74.3 per cent. decrease in income from insurance premiums to RO 0.7 million for the year ended 31 December 2015 compared to RO 2.6 million for the year ended 31 December 2014 due to a change in Central Bank of Oman guidelines.

Operating expenses

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

	For the years ended 31 December				**Percentage change**
	2015		**2014**		**2015/2014**
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Staff and administrative costs	(47,862)	(124,317)	(42,580)	(110,597)	12.4
Depreciation...................................	(3,337)	(8,668)	(3,583)	(9,306)	(6.9)
Total operating expenses	**(51,199)**	**(132,985)**	**(46,163)**	**(119,904)**	**10.9**

The Bank's total operating expenses increased by 10.9 per cent. to RO 51.2 million for the year ended 31 December 2015 compared to RO 46.2 million for the year ended 31 December 2014. This increase was a result of increased staff and administrative costs.

Staff and administrative costs

The Bank's staff and administrative costs increased by 12.4 per cent. to RO 47.9 million for the year ended 31 December 2015 compared to RO 42.6 million for the year ended 31 December 2014. This increase was primarily due to an increase in staff salaries and revisions relating to staff benefits.

Depreciation

The Bank's depreciation decreased by 6.9 per cent. to RO 3.3 million for the year ended 31 December 2015 compared to RO 3.6 million for the year ended 31 December 2014.

Total impairment losses (net)

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

	For the year ended 31 December				Percentage change
	2015		2014		2015/2014
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Provision for loan impairment ..	(14,305)	(37,156)	(11,658)	(30,281)	22.7
Recoveries from allowance for loan impairment	5,522	14,343	4,724	12,270	16.9
Bad debts written off	(1)	(3)	—	—	—
Impairment of available-for-sale investments	(2,742)	(7,122)	—	—	—
Net impairment charge for financial assets.........................	**(11,526)**	**(29,938)**	**(6,934)**	**(18,010)**	**66.2**

The Bank's net impairment charge for financial assets increased to RO 11.5 million for the year ended 31 December 2015 compared to RO 6.9 million for the year ended 31 December 2014. This increase was a result of a higher impairment of available-for-sale investments attributed to a decline in the market value of the underlying investments held in the Bank's portfolio.

Pursuant to CBO regulations, banks in Oman are required to maintain general impairment provisions amounting to 1 per cent. of corporate lending to banks and retail mortgage portfolios and 2 per cent. on unsecured loans to individuals (see "*The Sultanate of Oman Banking and Prudential Regulations*").

Provision for loan impairment

The Bank's provision for loan impairment increased by 22.7 per cent. to RO 14.3 million for the year ended 31 December 2015 compared to RO 11.7 million for the year ended 31 December 2014. This increase was principally a result of an increase in collective provisions by 16.8 per cent. and an increase in specific provisions by 10.1 per cent. which included an increase of RO 1.3 million in the provision for restructured loans, pursuant to CBO regulations issued in December 2015 (See "*Oman Banking System and Prudential Regulations*").

Recoveries from allowance for loan impairment

The Bank's recoveries from allowance for loan impairment increased by 16.9 per cent. to RO 5.5 million for the year ended 31 December 2015 compared to RO 4.7 million for the year ended 31 December 2014. This increase was as a result of improved performance by the Bank's corporate and retail banking business segments.

Loans written off

The Bank's loans written off was RO 1.0 thousand for the year ended 31 December 2015 as compared to nil for the year ended 31 December 2014. This amount written off was negligible compared to the Bank's total loan book size.

Impairment of available-for-sale investments

The Bank's impairment of available-for-sale investments was RO 2.7 million for the year ended 31 December 2015 and nil for the year ended 31 December 2014.

Profit for the year

As a result of the foregoing, the Bank's profit increased by 15.6 per cent. to RO 46.8 million for the year ended 31 December 2015 compared to RO 40.5 million for the year ended 31 December 2014. This increase was primarily due to a 16.6 per cent rise in operating income to RO 115.2 million in the year ended 31 December 2015 compared to RO 98.9 million in the year ended 31 December 2014.

Total comprehensive income for the year

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

	For the year ended 31 December				Percentage change
	2015		2014		2015/2014
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Profit for the year.........................	46,765	121,468	40,453	105,073	15.6
Net change in fair value of available-for-sale investments.....................	(2,238)	(5,813)	(1,159)	(3,010)	93.1
Impairment of available-for-sale investments.................................	2,742	7,122	—	—	—
Reclassification adjustment on sale of available-for-sale investments	(131)	(340)	(641)	(1,665)	(79.6)
Total comprehensive income for the year	**47,138**	**122,436**	**38,653**	**100,397**	**22.0**

The Bank's total comprehensive income for the year increased by 22.0 per cent. to RO 47.1 million for the year ended 31 December 2015 compared to RO 38.7 million for the year ended 31 December 2014. The increase was primarily due to an increase in the Bank's net profit for the financial year ended 31 December 2015 and minor adjustments on available-for-sale investments.

Net change in fair value of available-for-sale investments

The Bank's net change in fair value of available-for-sale investments for the year reported a loss of RO 2.2 million for the year ended 31 December 2015 compared to a loss of RO 1.2 million for the year ended 31 December 2014. This decrease was due to the impact of the fall in oil prices during the year ended 31 December 2015 on domestic share prices.

Reclassification adjustment on sale of available-for-sale investments

The Bank's reclassification adjustment on sale of available-for-sale investments for the year decreased by 79.6 per cent. to RO 0.1 million for the year ended 31 December 2015 compared to RO 0.6 million for the year ended 31 December 2014. This decrease in the reclassification adjustment on sale of available-for-sale investments in 2015 reflects a decrease in the disposals of securities held under available-for-sale investments, which would require reclassification adjustments if they were to be disposed.

Results of Operations for the years ended 31 December 2014 and 31 December 2013

Operating income

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

	For the years ended 31 December				Percentage change
	2014		2013		2014/2013
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Interest income.....................................	106,782	277,356	100,037	259,836	6.7
Interest expense	(33,202)	(86,239)	(33,696)	(87,522)	(1.5)
Net interest income...............................	73,580	191,117	66,341	172,314	10.9
Net income from Islamic financing and investment activities	3,208	8,332	173	449	1754.0
Net interest and financing income	76,788	199,449	65,514	172,764	15.5
Fees and commission income	13,483	35,021	9,828	25,527	37.2
Fees and commission expense..............	(1,335)	(3,468)	(923)	(2,397)	44.6
Net fees and commission income	12,148	31,553	8,905	23,130	36.4
Other income	9,915	25,753	14,139	36,725	(29.9)

	For the years ended 31 December				Percentage change
	2014		2013		2014/2013
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Operating income................................	**98,851**	**256,756**	**89,558**	**232,618**	**10.4**

The Bank's total operating income increased by 10.4 per cent. to RO 98.9 million for the year ended 31 December 2014 compared to RO 89.6 million for the year ended 31 December 2013. This increase was principally a result of an increase in net interest income by 10.9 per cent. and an increase in net fees and commissions by 36.4 per cent.

Interest income

The Bank's interest income increased by 6.7 per cent. to RO 106.8 million for the year ended 31 December 2014 compared to RO 100.0 million for the year ended 31 December 2013. This increase was due to an increase in the volume of loans and advances and the development of new relationships with customers.

Interest expense

The Bank's interest expense decreased by 1.5 per cent. to RO 33.2 million for the year ended 31 December 2014 compared to RO 33.7 million for the year ended 31 December 2013. This decrease was principally due to a decrease in the cost of funds year on year and an increase in the proportion of low cost deposits to total deposits.

Net Interest income

The Bank's net interest income increased by 10.9 per cent. to RO 73.6 million for the year ended 31 December 2014 compared to RO 66.3 million for the year ended 31 December 2013. This increase was due to an increase in interest income by 6.7 per cent. and a decrease in interest expense by 1.5 per cent.

Net Income from Islamic financing and Investment Activities

The Bank's net income from Islamic financing and investment activities increased to RO 3.2 million for the year ended 31 December 2014 compared to RO 0.2 million for the year ended 31 December 2013. This increase was primarily due to the Bank's Islamic window MAISARAH completing a full year of operation.

Net Fees and Commission income

The Bank's net fees and commission income increased by 36.4 per cent. to RO 12.1 million for the year ended 31 December 2014 compared to RO 8.9 million for the year ended 31 December 2013. This increase was principally due to an improvement in performance achieved across all business segments and a focus by the Bank on the improvement of its non-funded income activities.

Other income

The Bank's other income decreased by 29.9 per cent. to RO 9.9 million for the year ended 31 December 2014 compared to RO 14.1 million for the year ended 31 December 2013. This decrease was a result of a decrease in investment income from the sale of available-for-sale investments due to the impact on domestic share prices of a fall in oil prices during the second half of 2014 and a decrease in income from the Bank's Retail Banking Group due to a decline in the growth of unsecured loans caused by a higher debt burden ratio and a decline in related administration income from unsecured loans.

Operating expenses

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

	For the years ended 31 December				Percentage change
	2014		2013		2014/2013
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Staff and administrative costs	(42,580)	(110,597)	(41,777)	(108,512)	1.9
Depreciation..	(3,583)	(9,306)	(3,539)	(9,192)	1.2

	For the years ended 31 December				Percentage change
	2014		**2013**		**2014/2013**
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Total operating expenses	**(46,163)**	**(119,904)**	**(45,316)**	**(117,704)**	**1.9**

The Bank's total operating expenses increased by 1.9 per cent. to RO 46.2 million for the year ended 31 December 2014 compared to RO 45.3 million for the year ended 31 December 2013. This increase was a result of increased staff and administrative costs.

Staff and administrative costs

The Bank's staff and administrative costs increased by 1.9 per cent. to RO 42.6 million for the year ended 31 December 2014 compared to RO 41.8 million for the year ended 31 December 2013. This increase was primarily due to an increase in staff costs as a result of the Bank's pay revisions. Staff costs were, however, offset by an improvement in staff productivity and savings in administrative expenses due to the reduction in costs relating to prize money and related marketing costs for the Bank's savings scheme.

Depreciation

The Bank's depreciation increased by 1.2 per cent. to RO 3.6 million for the year ended 31 December 2014 compared to RO 3.5 million for the year ended 31 December 2013.

Total impairment losses (net)

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

	For the year ended 31 December				Percentage change
	2014		**2013**		**2014/2013**
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Provision for loan impairment	(11,658)	(30,281)	(7,388)	(19,190)	57.8
Recoveries from allowance for loan impairment..	4,724	12,270	3,155	8,195	49.7
Bad debts written off	—	—	(1)	(3)	(100.0)
Impairment of available-for-sale investments.	—	—	—	—	—
Net impairment charge for financial assets	**(6,934)**	**(18,010)**	**(4,234)**	**(10,998)**	**63.8**

The Bank's net impairment charge for financial assets increased to RO 6.9 million for the year ended 31 December 2014 compared to RO 4.2 million for the year ended 31 December 2013. This increase was a result of a higher provision, which includes collective provisioning in line with the Bank's loan growth. This higher provision was partially offset by higher recoveries from allowance for loan impairment compared to the year ended 31 December 2013.

Pursuant to CBO regulations, banks in Oman are required to maintain general impairment provisions amounting to 1 per cent. of corporate lending to banks and retail mortgage portfolios and 2 per cent. on unsecured loans to individuals (see "*The Sultanate of Oman Banking and Prudential Regulations*").

Provision for loan impairment

The Bank's provision for loan impairment increased by 57.8 per cent. to RO 11.7 million for the year ended 31 December 2014 compared to RO 7.4 million for the year ended 31 December 2013. This increase was principally a result of an increase in collective provisions by 96.1 per cent. and an increase in specific provisions by 34.0 per cent. The total for the year ended 31 December 2014 included a charge of RO 0.2 million towards certain corporate losses (see "—*Significant factors affecting results – corporate loan loss*es"). Improved monitoring of the Bank's "past due" retail portfolio also resulted in a reduction in the number of loans due over 90 days, which would previously have required provisioning.

Recoveries from allowance for loan impairment

The Bank's recoveries from allowance for loan impairment increased by 49.7 per cent. to RO 4.7 million for the year ended 31 December 2014 compared to RO 3.2 million for the year ended 31 December 2013. This increase was as a result of improved performance by the Bank's recovery efforts.

Loans written off

The Bank's loans written off was nil for the year ended 31 December 2014 as compared to RO 1,000 for the year ended 31 December 2013. This amount written off was negligible compared to the Bank's total loan book size.

Impairment of available-for-sale investments

The Bank's impairment of available-for-sale investments nil for the years ended 31 December 2014 and 31 December 2013.

Profit for the year

As a result of the foregoing, the Bank's profit decreased by 30.7 per cent. to RO 40.5 million for the year ended 31 December 2014 compared to RO 58.4 million for the year ended 31 December 2013. This decrease was primarily due to the inclusion of a legal recovery amounting to RO 26.1 million in the Bank's profit for the year ended 31 December 2013 (see "*—Results of operations for the year ended 31 December 2013 and 31 December 2012—Recovery from a legal case*" below). With the exclusion of the legal recovery amounting to RO 26.1 million (or RO 23.0 million net of taxes), the Bank's net profit for the year ended 31 December 2014 increased by 14.2 per cent. compared to the year ended 31 December, 2013.

Total comprehensive income for the year

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

	For the year ended 31 December				**Percentage change**
	2014		**2013**		**2014/2013**
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Profit for the year.........................	40,453	105,073	58,407	151,706	(30.7)
Net change in fair value of available-for-sale investments.................................	(1,159)	(3,010)	2,447	6,356	(147.4)
Reclassification adjustment on sale of available-for-sale investments	(641)	(1,665)	(2,249)	(5,842)	71.5
Total comprehensive income for the year	**38,653**	**100,398**	**58,605**	**152,220**	**(34.0)**

The Bank's total comprehensive income for the year decreased by 34.0 per cent. to RO 38.7 million for the year ended 31 December 2014 compared to RO 58.6 million for the year ended 31 December 2013. The decrease was primarily due to the inclusion of a legal recovery amounting to RO 26.1 million (or RO 23.0 million net of taxes), in the Bank's profit for the year ended 31 December 2013, which accounted for the decrease in total comprehensive income in the year ended 31 December 2014 compared to the year ended 31 December 2013.

Net change in fair value of available-for-sale investments

The Bank's net change in fair value of available-for-sale investments for the year decreased to a loss of RO 1.2 million for the year ended 31 December 2014 compared to a gain of RO 2.4 million for the year ended 31 December 2013. This decrease was due to the impact of the fall in oil prices during the second half of the year ended 31 December 2014 on domestic share prices.

Reclassification adjustment on sale of available-for-sale investments

The Bank's reclassification adjustment on sale of available-for-sale investments for the year decreased by 71.5 per cent. to RO 0.6 million for the year ended 31 December 2014 compared to RO 2.2 million for the year ended 31 December 2013. This decrease in the reclassification adjustment on sale of available-for sale investments in 2014 reflects a higher realised gain booked in the year ended 31 December 2013 than in the year ended 31 December 2014.

Financial condition as at 31 December 2015 and 31 December 2014

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

Total Assets

	As at 31 December				Percentage Change
	2015		2014		2015/2014
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Cash and balances with Central Bank of Oman................................	439,833	1,142,423	584,370	1,517,844	(24.7)
Loans and advances to banks..........	138,036	358,535	91,164	236,790	51.4
Loans and advances to customers	2,729,306	7,089,106	2,254,705	5,856,377	21.0
Available-for-sale investments	35,802	92,992	26,886	69,834	33.2
Held-to-maturity investments	169,391	439,977	149,988	389,579	12.9
Intangible assets	1,986	5,158	2,383	6,190	(16.7)
Property and equipment.................	8,795	22,844	9,683	25,151	(9.2)
Other assets....................................	69,912	181,590	74,948	194,670	(6.7)
Total assets	**3,593,061**	**9,332,626**	**3,194,127**	**8,296,434**	**12.5**

As at 31 December 2015, the Bank's total assets increased by 12.5 per cent. to RO 3,593.1 million compared to RO 3,194.1 million as at 31 December 2014. This increase was primarily a result of an increase in loans and advances to banks and customers.

Cash and balances with Central Bank of Oman

As at 31 December 2015, the Bank's cash and balances with the Central Bank of Oman amounted to RO 439.8 million compared to RO 584.4 million as at 31 December 2014, representing an decrease of 24.7 per cent. This decrease in cash and balances with the Central Bank of Oman as at 31 December 2015 was primarily a result of a decrease in certificates of deposits with a maturity of 90 days or less.

Loans and advances to banks

Loans and advances to banks increased by 51.4 per cent. to RO 138.0 million as at 31 December 2015 compared to RO 91.2 million as at 31 December 2014. This increase was principally as a result of increases in term placements with and lending to other banks

Loans and advances to customers

As at 31 December 2015, the Bank's loans and advances to customers amounted to RO 2,729.3 million compared to RO 2,254.7 million as at 31 December 2014, representing an increase of 21.0 per cent. This increase in loans and advances to customers between 31 December 2015 and 31 December 2014 was primarily a result of growth in loans across most of the Bank's segments of the Bank's Wholesale Banking Group and Retail Banking Group in addition to strong growth in financing from the Bank's Islamic Banking window financing.

Types of loans and advances to customers

The following table sets out a breakdown of the type of the Bank's loans and advances to customers as at the dates indicated.

	As at 31 December				Percentage change
	2015		2014		2015/2014
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Overdrafts	149,261	387,691	130,591	339,197	14.3
Loans	2,299,290	5,972,182	1,953,070	5,072,909	17.7
Loans against trust receipts...................	111,700	290,130	79,484	206,452	40.5
Bills discounted	6,867	17,836	10,445	27,130	(34.3)
Advance against credit cards	7,684	19,958	7,705	20,013	(0.3)
Others..	43,207	112,226	27,980	72,675	54.4
Islamic Banking Window financing.	209,915	545,234	133,034	345,543	57.8
Gross loans and advances...................	**2,827,924**	**7,345,257**	**2,342,309**	**6,083,919**	**20.7**
Less impairment allowance	(98,618)	(256,151)	(87,604)	(227,543)	12.6
Net loans and advances	**2,729,306**	**7,089,106**	**2,254,705**	**5,856,377**	**21.0**

Loans, advances and financing activities by sector

The Bank's loan portfolio comprises loans, advances and financing activities to retail, corporate customers, as well as Government and Government-related entities across a range of economic sectors on both a conventional and an Islamic basis. The following table sets out the Bank's net loans and advances by sector as at the dates indicated.

	As at 31 December					
	2015			2014		
	RO '000	*US$ '000*	*%*	*RO '000*	*US$ '000*	*%*
Import trade	111,741	290,236	4.0	97,163	252,371	4.1
Export trade	237	616	0.0	5	13	0.0
Wholesale and retail trade................................	30,861	80,158	1.1	38,084	98,919	1.6
Mining and quarrying	27,073	70,319	1.0	44,184	114,764	1.9
Construction...	453,547	1,178,044	16.0	327,648	851,034	14.0
Manufacturing..	221,150	574,416	7.8	230,627	599,031	9.8
Electricity, gas and water.................................	33,137	86,070	1.2	41,777	108,512	1.8
Transport and Communication	44,573	115,774	1.6	47,394	123,101	2.0
Financial institutions.	137,453	357,021	4.9	122,527	318,252	5.2
Services..	149,593	388,553	5.3	105,518	274,073	4.5
Personal loans	1,362,625	3,539,286	48.2	1,048,120	2,722,390	44.7
Agriculture and allied activities........................	13,278	34,488	0.5	12,459	32,361	0.5
Government	81,523	211,748	2.9	136,723	355,125	5.8
Non-Resident lending	7,941	20,626	0.3	5,550	14,416	0.2
All Others	153,192	397,901	5.4	84,530	219,558	3.6
Total loans and advances	**2,827,924**	**7,345,257**	**100.0**	**2,342,309**	**6,083,919**	**100.0**

Available-for-sale investments

As at 31 December 2015, the Bank's available-for-sale investments increased by 33.2 per cent. to RO 35.8 million compared to RO 26.9 million as at 31 December 2014. This increase in available-for-sale investments as at 31 December 2015 was primarily a result of increased investments in foreign fixed income bonds and funds.

Held-to-maturity investments

As at 31 December 2015, the Bank's held-to-maturity investments increased by 12.9 per cent. to RO 169.4 million compared to RO 150.0 million as at 31 December 2014. This increase in held-to-maturity investments as at 31 December 2015 was primarily a result of an increase in the Bank's investment in government development bonds and local un-listed sukuk.

Intangible assets

As at 31 December 2015, the Bank's intangible assets decreased by 16.7 per cent. to RO 2.0 million compared to RO 2.4 million as at 31 December 2014. The decrease in intangible assets as at 31 December 2015 was primarily due to an impairment in the Bank's goodwill resulting from the acquisition of branches of the Commercial Bank of Oman in 2001 and the merger between the Bank and Majan International Bank in 2003.

Property and equipment

As at 31 December 2015, the Bank's property and equipment decreased by 9.2 per cent. to RO 8.8 million compared to RO 9.7 million as at 31 December 2014. The decrease in property and equipment as at 31 December 2015 was primarily a result of higher net disposals and regular depreciation compared to the year ended 31 December 2014.

Other assets

Other assets comprise acceptances, interest receivable, prepaid expenses, deferred tax assets, positive fair value of derivatives and other receivables. As at 31 December 2015, the Bank's other assets decreased by 6.7 per cent. to RO 69.9 million compared to RO 74.9 million as at 31 December 2014. The decrease was primarily a result of a decrease in the Bank's letters of acceptance.

Financial condition as at 31 December 2014 and 31 December 2013

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

Total Assets

	As at 31 December				Percentage Change
	2014		2013		2014/2013
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Cash and balances with Central Bank of Oman	584,370	1,517,844	345,758	898,073	69.0
Loans and advances to banks	91,164	236,790	121,370	315,247	(24.9)
Loans and advances to customers	2,254,705	5,856,377	1,901,910	4,940,026	18.5
Available-for-sale investments	26,886	69,834	24,635	63,987	9.1
Held-to-maturity investments	149,988	389,579	153,366	398,353	(2.2)
Intangible assets	2,383	6,190	2,780	7,221	(14.3)
Property and equipment	9,683	25,151	10,903	28,319	(11.2)
Other assets	74,948	194,670	44,657	115,992	67.8
Total assets	**3,194,127**	**8,296,434**	**2,605,379**	**6,767,218**	**22.6**

As at 31 December 2014, the Bank's total assets increased by 22.6 per cent. to RO 3,194.1 million compared to RO 2,605.4 million as at 31 December 2013. This increase was primarily a result of an increase in loans and advances, cash balances with the Central Bank of Oman and held-to-maturity investments.

Cash and balances with Central Bank of Oman

As at 31 December 2014, the Bank's cash and balances with the Central Bank of Oman amounted to RO 584.4 million compared to RO 345.8 million as at 31 December 2013, representing an increase of 69.0 per cent. This increase in cash and balances with the Central Bank of Oman as at 31 December 2014 was primarily a result of an increase in certificates of deposits with maturity of 90 days or less caused by an increase in deposits due to the Bank's improvement in its liquidity position.

Loans and advances to banks

Loans and advances to banks decreased by 24.9 per cent. to RO 91.2 million as at 31 December 2014 compared to RO 121.4 million as at 31 December 2013. This decrease was principally as a result of increases in term placements with other banks due to maturities at year end.

Loans and advances to customers

As at 31 December 2014, the Bank's loans and advances to customers amounted to RO 2,254.7 million compared to RO 1,901.9 million as at 31 December 2013, representing an increase of 18.5 per cent. This increase in loans and advances to customers between 31 December 2014 and 31 December 2013 was primarily a result of growth in loans across all segments of the Bank's Wholesale Banking Group and Retail Banking Group in addition to strong growth in financing from the Bank's Islamic Banking window financing resulting from its first full year of operation.

Types of loans and advances to customers

The following table sets out a breakdown of the type of the Bank's loans and advances to customers as at the dates indicated.

	As at 31 December				Percentage change
	2014		2013		2014/2013
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Overdrafts	130,591	339,197	111,959	290,803	16.6
Loans	1,953,070	5,072,909	1,724,640	4,479,584	13.2
Loans against trust receipts	79,484	206,452	77,792	202,057	2.2
Bills discounted	10,445	27,130	13,099	34,023	(20.3)
Advance against credit cards	7,705	20,013	7,864	20,426	(2.0)
Others	27,980	72,675	18,907	49,109	48.0
Islamic Banking Window financing	133,034	345,543	28,268	73,423	370.6
Gross loans and advances	**2,342,309**	**6,083,919**	**1,982,529**	**5,149,426**	**18.1**
Less impairment allowance	(87,604)	(227,543)	(80,619)	(209,400)	8.7
Net loans and advances	**2,254,705**	**5,856,377**	**1,901,910**	**4,940,026**	**18.5**

Loans, advances and financing activities by sector

The Bank's loan portfolio comprises loans, advances and financing activities to retail, corporate customers, as well as Government and Government-related entities across a range of economic sectors on both a conventional and an Islamic basis. The following table sets out the Bank's net loans and advances by sector as at the dates indicated.

	As at 31 December					
	2014			2013		
	RO '000	*US$ '000*	*%*	*RO '000*	*US$ '000*	*%*
Import trade	97,163	252,371	4.1	93,333	242,423	4.7
Export trade	5	13	0.0	291	756	0.0
Wholesale and retail trade	38,084	98,919	1.6	40,242	104,525	2.0
Mining and quarrying	44,184	114,764	1.9	37,767	98,096	1.9
Construction	327,648	851,034	14.0	236,889	615,296	11.9
Manufacturing	230,627	599,031	9.8	174,020	452,000	8.8
Electricity, gas and water	41,777	108,512	1.8	40,942	106,343	2.1
Transport and Communication	47,394	123,101	2.0	92,263	239,644	4.7
Financial institutions	122,527	318,252	5.2	119,166	309,522	6.0

	As at 31 December					
	2014			2013		
	RO '000	*US$ '000*	*%*	*RO '000*	*US$ '000*	*%*
Services	105,518	274,073	4.5	105,147	273,109	5.3
Personal loans	1,048,120	2,722,390	44.8	870,226	2,260,327	43.9
Agriculture and allied activities	12,459	32,361	0.5	7,498	19,475	0.4
Government	136,723	355,125	5.8	126,931	329,691	6.4
Non-Resident lending	5,550	14,416	0.2	5,146	13,366	0.3
All Others	84,530	219,558	3.6	32,668	84,852	1.6
Total loans and advances	**2,342,309**	**6,083,919**	**100.0**	**1,982,529**	**5,149,426**	**100.0**

Available-for-sale investments

As at 31 December 2014, the Bank's available-for-sale investments increased by 9.1 per cent. to RO 26.9 million compared to RO 24.6 million as at 31 December 2013. This increase in available-for-sale investments as at 31 December 2014 was primarily a result of increased investments in the quoted domestic stock market.

Held-to-maturity investments

As at 31 December 2014, the Bank's held-to-maturity investments decreased by 2.2 per cent. to RO 150.0 million compared to RO 153.4 million as at 31 December 2013.- This decrease in held-to-maturity investments as at 31 December 2014 was primarily a result of a decrease in the Bank's investment in treasury bills.

Intangible assets

As at 31 December 2014, the Bank's intangible assets decreased by 14.3 per cent. to RO 2.4 million compared to RO 2.7 million as at 31 December 2013. The 14.3 per cent. decrease in intangible assets as at 31 December 2014 was primarily a result of a decrease in the Bank's impairment for goodwill resulting from the acquisition of branches of the Commercial Bank of Oman in 2001 and the merger between the Bank and Majan International Bank in 2003.

Property and equipment

As at 31 December 2014, the Bank's property and equipment decreased by 11.2 per cent. to RO 9.7 million compared to RO 10.9 million as at 31 December 2013. The 11.2 per cent. decrease in property and equipment as at 31 December 2014 was primarily a result of smaller additions of property and equipment in 2014 compared to 2013. Net of regular depreciation, there was a decrease in property and equipment by 11.2 per cent. as at 31 December 2014 compared to 31 December 2013.

Other assets

Other assets comprise acceptances, interest receivable, prepaid expenses, dividends receivable, positive fair value of derivatives and other receivables. As at 31 December 2014, the Bank's other assets increased by 67.8 per cent. to RO 74.9 million compared to RO 44.7 million as at 31 December 2013. The increase in other assets was primarily a result of an increase in the Bank's letters of acceptance.

Total Liabilities as at 31 December 2015 and 31 December 2014

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

	As at 31 December				Percentage change
	2015		2014		2015/2014
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Due to banks	308,864	802,244	175,013	454,579	76.5
Deposits from customers	2,592,371	6,733,431	2,482,179	6,447,218	4.4
Other liabilities	111,422	289,408	107,742	279,849	3.4
Subordinated loans	103,875	269,805	103,875	269,805	—
Total liabilities	**3,116,532**	**8,094,888**	**2,868,809**	**7,451,452**	**8.6**

As at 31 December 2015, the Bank's total liabilities amounted to RO 3,116.5 million compared to RO 2,868.8 million as at 31 December 2014, representing an increase of 8.6 per cent.

The 8.6 per cent. increase in total liabilities as at 31 December 2015 was primarily a result of increases in customers' deposits and due to banks.

Due to banks

As at 31 December 2015, the Bank's amounts due to banks amounted to RO 308.9 million compared to RO 175.0 million as at 31 December 2014, representing an increase of 76.5 per cent.

The 76.5 per cent. increase in amounts due to banks as at 31 December 2015 was primarily a result of an increase in the Bank's syndicated and regular interbank borrowings.

Deposits from customers

As at 31 December 2015, the Bank's deposits from customers amounted to RO 2,592.4 million compared to RO 2,482.2 million as at 31 December 2014, representing an increase of 4.4 per cent. The 4.4 per cent. increase in deposits from customers as at 31 December 2015 was primarily a result of an increase in low cost current account and savings account deposits and an increase in deposits from the Bank's Islamic Banking window. Current accounts and time deposits include deposits from the Government and government-related entities amounting to RO 1,097.5 million.

The following table sets out the break-down of funding from the Bank's deposits from customers as at the dates indicated.

	As at 31 December				**Percentage change**
	2015		**2014**		**2015/2014**
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Current accounts	715,302	1,857,927	686,095	1,782,065	4.3
Savings accounts	435,759	1,131,842	402,433	1,045,281	8.3
Time deposits	1,227,648	3,188,696	1,274,542	3,310,499	(3.7)
Margin accounts	21,504	55,855	22,101	57,405	(2.7)
Islamic Banking Window deposits	192,158	499,112	97,008	251,969	98.1
Total Deposits	**2,592,371**	**6,733,431**	**2,482,179**	**6,447,218**	**4.4**

Other liabilities

The Bank's other liabilities comprise acceptances, interest payables, creditors and accruals, income tax provisions, deferred tax liabilities, negative fair values of derivatives and employee terminal benefits. As at 31 December 2015, the Bank's other liabilities amounted to RO 111.4 million compared to RO 107.7 million as at 31 December 2014, representing an increase of 3.4 per cent.

The 3.4 per cent. increase in other liabilities that occurred between 31 December 2014 and 31 December 2015 was primarily a result of an increase in creditors and accruals and a decrease in acceptances.

Subordinated loans

As at 31 December 2015, the Bank's subordinated loans remained stable at RO 103.9 million compared to 31 December 2014.

The Bank's subordinated debt constitutes a USD 75.0 million unsecured subordinated loan due 2019 at a fixed rate of interest payable half-yearly, a RO 25.0 million unsecured subordinated loan due 2017 at a fixed rate of interest payable half-yearly and a RO 50.0 million unsecured subordinated loan due 2016 at a fixed rate of interest payable half-yearly. As at the date of this Base Prospectus, the Bank's subordinated loans amount to RO 103.9 million. All the Bank's subordinated debt is eligible for calculating Tier II capital of the Bank in accordance with Basel regulations. The Bank's subordinated debt is privately placed with investors that include some of the Bank's major shareholders.

As a percentage of the Bank's total liabilities, the Bank's subordinated loans constituted 3.3 per cent. as at 31 December 2015 and 3.6 per cent. as at 31 December 2014.

The following table provides an analysis of the Bank's subordinated loans as at the dates indicated.

	2015		2014	
	RO '000	*US$ '000*	*RO '000*	*US$ '000*
At 1 January	103,875	269,805	75,000	194,805
Received during the year	—	—	28,875	75,000
	103,875	269,805	103,875	269,805

Key borrowings

In addition to the Bank's subordinated loans referred to under the preceding paragraph ("*Subordinated loans*"), the Bank has borrowed funds externally through a number of bilateral and syndicated loan facilities which are subject to floating interest rates linked to LIBOR. As at 31 December 2015, the principal amount outstanding under such loan facilities included a syndicated loan of U.S.$250 million, which is due to mature in December 2018 and a bilateral loan of U.S.$100 million, which is due to mature in November 2016.

Total Liabilities as at 31 December 2014 and 31 December 2013

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

	As at 31 December				**Percentage change**
	2014		**2013**		**2014/2013**
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Due to banks	175,013	454,579	106,334	276,192	64.6
Deposits from customers	2,482,179	6,447,218	2,031,746	5,277,262	22.2
Other liabilities	107,742	279,849	88,692	230,369	21.5
Subordinated loans	103,875	269,805	75,000	194,805	38.5
Total liabilities	**2,868,809**	**7,451,452**	**2,301,772**	**5,978,628**	**24.6**

As at 31 December 2014, the Bank's total liabilities amounted to RO 2,869.8 million compared to RO 2,301.8 million as at 31 December 2013, representing an increase of 24.6 per cent.

The 24.6 per cent. increase in total liabilities as at 31 December 2014 was primarily a result of increases in customers' deposits, due to the Bank's focus on increasing low cost deposits and long term customers' deposits.

Due to banks

As at 31 December 2014, the Bank's amounts due to banks amounted to RO 175.0 million compared to RO 106.3 million as at 31 December 2013, representing an increase of 64.6 per cent.

The 64.6 per cent. increase in amounts due to banks as at 31 December 2014 was primarily as a result of an increase in the Bank's interbank borrowings, including a full year of operation of the Bank's Islamic Banking window. In addition, the increase in amounts due to banks can be partially attributed to the increase of 24.6 per cent. in loans and advances to banks as at 31 December 2014 as compared to 31 December 2013.

Deposits from customers

As at 31 December 2014, the Bank's deposits from customers amounted to RO 2,482.2 million compared to RO 2,031.7 million as at 31 December 2013, representing an increase of 22.2 per cent. The 22.2 per cent. increase in deposits from customers as at 31 December 2014 was primarily a result of an increase in low cost current account and savings account deposits and an increase in deposits from the first full year of operation of the Bank's Islamic Banking window. Current accounts and time deposits include deposits from the Government and government-related entities amounting to RO 1,076 million.

The following table sets out the break-down of funding from the Bank's deposits from customers as at the dates indicated.

	As at 31 December				Percentage change
	2014		2013		2014/2013
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Current accounts	686,095	1,782,065	652,337	1,694,382	5.2
Savings accounts	402,433	1,045,281	322,472	837,590	24.8
Time deposits	1,274,542	3,310,499	1,047,953	2,721,956	21.6
Margin accounts	22,101	57,405	5,307	13,784	316.5
Islamic Banking Window deposits	97,008	251,969	3,677	9,551	2,538.0
Total Deposits	**2,482,179**	**6,447,218**	**2,031,746**	**5,277,262**	**22.2**

Other liabilities

The Bank's other liabilities comprise accrued expenses, end of service benefits to employees and other payables such as interest accruals and employee benefits. As at 31 December 2014, the Bank's other liabilities amounted to RO 107.7 million compared to RO 88.7 million as at 31 December 2013, representing an increase of 21.5 per cent.

The 21.5 per cent. increase in other liabilities that occurred between 31 December 2013 and 31 December 2014 was primarily a result of an increase in letters of acceptance.

Subordinated loans

As at 31 December 2014, the Bank's subordinated loans amounted to RO 103.9 million compared to RO 75.0 million as at 31 December 2013.

The Bank's subordinated debt constitutes a USD 75.0 million unsecured subordinated loan due 2019 at a fixed rate of interest payable half-yearly, a RO 25.0 million unsecured subordinated loan due 2017 at a fixed rate of interest payable half-yearly and a RO 50.0 million unsecured subordinated loan due 2016 at a fixed rate of interest payable half-yearly. As at the date of this Base Prospectus, the Bank's subordinated loans amount to RO 103.9 million. All the Bank's subordinated debt is eligible for calculating Tier II capital of the Bank in accordance with Basel regulations. The Bank's subordinated debt is privately placed with investors that include some of the Bank's major shareholders.

As a percentage of the Bank's total liabilities, the Bank's subordinated loans constituted 3.6 per cent. as at 31 December 2014 and 3.3 per cent. as at 31 December 2013.

The following table provides an analysis of the Bank's subordinated loans as at the dates indicated.

	2014		2013	
	RO '000	*US$ '000*	*RO '000*	*US$ '000*
At 1 January	75,000	194,805	75,000	194,805
Received during the year	28,875	75,000	—	—
	103,875	269,805	75,000	194,805

Key borrowings

In addition to the Bank's subordinated loans referred to under the preceding paragraph ("*Subordinated loans*"), the Bank has borrowed funds externally through a number of bilateral and syndicated loan facilities. Such loans facilities were subject to floating interest rates linked to LIBOR and matured in 2015.

Total equity as at 31 December 2015 and 31 December 2014

As at 31 December 2015, the Bank's total equity attributed to equity shareholders amounted to RO 361.0 million compared with RO 325.3 million as at 31 December 2014, representing an increase of 11.0 per cent. This increase was due to an increase in share capital and subordinated loan reserves. The Bank's total equity increased by 46.5 per cent. to RO 476.5 million as at 31 December 2015 from RO 325.3 million as at 31 December 2014.

The main constituents of the Bank's total equity as at these dates were share capital, retained earnings, share premium, legal reserve, special reserve, subordinated loan reserve and Perpetual Tier 1 Securities. Of the Bank's reserves, the most significant is the legal reserve, into which, in accordance with the requirements of the Commercial Companies Law of

Oman, 10 per cent. of profit earned each year must be contributed until the legal reserve amounts to one third of the Bank's paid-up share capital. As at 31 December 2015, the legal reserve represented 26 per cent. of the Bank's issued share capital. During 2015, the Bank issued Additional Tier 1 Perpetual Bonds amounting to RO 115.5 million (U.S.$300.0 million) which qualified as Tier 1 Capital.

The following table sets out a breakdown of the Bank's total equity as at the dates indicated.

	As at 31 December				Percentage change
	2015		2014		2015/2014
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Share capital	154,473	401,229	134,324	348,894	15.0
Share premium	40,018	103,943	40,018	103,943	—
Special reserve	18,488	48,021	18,488	48,021	—
Legal reserve	40,214	104,452	35,537	92,304	13.2
Subordinated loan reserve	62,025	161,104	41,250	107,143	50.4
Investment revaluation reserve	327	849	(46)	(119)	810.4
Retained earnings	45,484	118,140	55,747	144,797	(18.4)
Total shareholders' equity	**361,029**	**937,738**	**325,318**	**844,982**	**11.0**
Perpetual Tier 1 Capital Securities	115,500	300,000	—	—	—
Total Equity	**476,529**	**1,237,738**	**325,318**	**844,982**	**46.5**

Total equity as at 31 December 2014 and 31 December 2013

As at 31 December 2014, the Bank's total equity amounted to RO 325.3 million compared with RO 303.6 million as at 31 December 2013, representing an increase of 7.2 per cent. This increase was due to the retention of the retained earnings of the Bank's profits in the form of reserves, including the creation of a special reserve of RO 18.5 million from the legal case recovery of RO 26.1 million (or RO 23.0 million, net of taxes) in addition to the regular legal reserve and sub-ordinated loan reserves.

The main constituents of the Bank's total equity as at these dates were share capital, retained earnings, share premium, legal reserve, special reserve and subordinated loan reserve. Of the Bank's reserves, the most significant is the legal reserve, into which, in accordance with the requirements of the Commercial Companies Law of Oman, 10 per cent. of profit earned each year must be contributed until the legal reserve amounts to one third of the Bank's paid-up share capital. As at 31 December 2014, the legal reserve represented 26.5 per cent. of the Bank's issued share capital.

The following table sets out a breakdown of the Bank's total equity as at the dates indicated.

	As at 31 December				Percentage change
	2014		2013		2014/2013
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*%*
Share capital	134,324	348,894	121,013	314,320	11.0
Share premium	40,018	103,943	40,018	103,943	—
Special reserve	18,488	48,021	18,488	48,021	—
Legal reserve	35,537	92,304	31,492	81,797	12.8
Subordinated loan reserve	41,250	107,143	26,250	68,182	57.1
Investment revaluation reserve	(46)	(119)	1,754	4,556	(102.6)
Retained earnings	55,747	144,797	64,592	167,771	(13.7)
Total shareholders' equity	**325,318**	**844,982**	**303,607**	**788,590**	**7.2**

Contingent Liabilities and Commitments

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

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

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

	As at 31 December					
	2015		**2014**		**2013**	
	RO '000	*US$ '000*	*RO '000*	*US$ '000*	*RO '000*	*US$ '000*
Letter of credit	133,358	346,384	87,680	227,740	70,425	182,922
Guarantees and performance bonds..............................	710,960	1,846,649	628,395	1,632,194	391,527	1,016,953
Total	**844,318**	**2,193,034**	**716,075**	**1,859,934**	**461,952**	**1,199,875**

A further discussion of the Bank's contingent liabilities and commitments is provided at Note 32 to the 2015 Financial Statements and Note 32 to the 2014 Financial Statements.

Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee and adopted by the CBO from time to time (the Bank is computing its capital adequacy in accordance with Basel III guidelines as directed by the CBO). The CBO is the Bank's principal regulator which sets and monitors its capital requirements in Oman. The CBO requires each Oman-based bank or banking group to maintain a minimum ratio of total capital to risk-weighted assets of 12.625 per cent. taking into account both on and off balance sheet transactions.

The capital management plan envisaged for the Bank is based on the regulatory risk capital framework of Basel II and uses a standardised approach for calculating the credit as well market risk. The basic indicator approach for operational risk is prescribed by CBO. In accordance with CBO timelines, the Bank has implemented the Basel II standardised approach in relation to credit risk, market risk and operational risk.

The Bank's capital management is aimed at maintaining an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always meeting minimum regulatory capital adequacy ratio requirements. In accordance with the CBO's guidelines, the Bank is required to report the capital component disclosures to the CBO's Banking Surveillance Department on a quarterly basis.

The following table sets out the Bank's key capital adequacy ratios as at the dates indicated (calculated in accordance with CBO guidelines).

	As at 31 December			
	2015	**2014**	**2013**	**CBO requirement***
	%	*%*	*%*	*%*
Core Equity (CET 1)............................	9.43	10.76	11.07	7.63
Tier 1..	12.68	10.76	11.07	9.63
Total Capital adequacy	**14.70**	**14.05**	**14.09**	**12.63**

* CBO requirement applicable as at 31 December 2015. Capital conservation buffer of 2.5 per cent. is phased in over four years starting from 2014 at 0.625 per cent. per annum with no increase required in 2015 and 2016. Note: As per CBO regulations, interim profits are excluded from the capital adequacy calculations.

The following table sets out the elements of the Bank's capital and risk weighted assets as at the dates indicated.

	As at 31 December					
	2015		2014		2013	
	RO '000	*U.S.$ '000*	*RO '000*	*U.S.$ '000*	*RO '000*	*US$ '000*
Total CETI I Capital	334,679	869,296	314,631	817,223	282,103	732,735
Total Tier I Capital	450,179	1,169,296	314,631	817,223	282,103	732,735
Total Tier II Capital	71,745	186,351	96,033	249,436	76,802	199,486
Total Regulatory capital......	**521,924**	**1,355,647**	**410,664**	**1,066,660**	**358,905**	**932,221**
Risk Weighted Assets – Banking book.........................	3,238,902	8,415,330	2,674,461	6,946,652	2,324,129	6,036,699
Risk Weighted Assets – Trading book..........................	111,079	288,517	70,357	182,745	56,798	147,527
Risk Weighted Assets – Operational risk	198,703	516,112	178,817	464,460	166,581	432,678
Total Risk Weighted Assets.....................................	**3,549,684**	**9,219,958**	**2,923,635**	**7,593,857**	**2,547,508**	**6,616,904**

Impairment provisions

Impairment of financial assets

At each relevant reporting date, the Bank assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include:

- indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments;
- the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, the impairment loss is recognised in the profit or loss for the year.

Loans and advances

For amounts due from banks and loans and advances to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss for the year. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Recoveries from loans and advances written off'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. Pursuant to the CBO’s new requirements, a specific provision of 10 per cent. should be provided on all restructured standard loans as at 31 December 2015, which is subsequently to be increased to 15 per cent. with effect from 1 January 2016.

An analysis of the credit quality of the Bank's loans, advances and financing to customers is set out below as at the dates indicated:

	Loans, advances and financing to customers (neither past due nor impaired)	**Loans, advances and financing to customers (past due but not impaired)**	**Loans, advances and financing to customers (impaired)**	**Gross loans, advances and financing**
Balance as at 31 December 2015 – RO '000	2,728,369	34,624	64,931	2,827,924
Balance as at 31 December 2015 – USD'000	7,086,673	89,932	168,652	7,345,257
Balance as at 31 December 2014 – RO '000	2,265,922	16,625	59,762	2,342,309
Balance as at 31 December 2014 – USD'000	5,885,512	43,182	155,226	6,083,919
Balance as at 31 December 2013 – RO '000	1,905,902	18,168	58,459	1,982,529
Balance as at 31 December 2013 – USD'000	4,950,395	47,190	151,842	5,149,426

An analysis of the Bank's loans, advances and financing to customers which are past due but not impaired is set out below as at the years indicated:

	In arrears 1-30 days	**In arrears 31-60 days**	**In arrears 61-89 days**	**Total**
Loans, advances and financing **to customers (net) at**				
31 December 2015 – RO '000	19,867	10,996	3,761	34,624
31 December 2015 – USD'000	51,603	28,561	9,769	89,932
31 December 2014 – RO '000	11,019	4,082	1,524	16,625
31 December 2014 – USD'000	28,621	10,603	3,958	43,182

	In arrears 1-30 days	In arrears 31-60 days	In arrears 61-89 days	Total
31 December 2013 – RO '000	12,296	4,324	1,548	18,168
31 December 2013 – USD'000	31,938	11,231	4,021	47,190

Credit risk mitigation

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

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

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

- Charges over business assets such as premises, inventory and accounts receivable;
- Lien on fixed deposits;
- Cash margins;
- Mortgages over residential and commercial properties; and
- Pledge of marketable shares and securities.

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

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

DESCRIPTION OF THE BANK

Overview

The Bank was established in the Sultanate of 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**), with an allocated capital of RO 12.5 million from the core paid up capital of the shareholders of the Bank. The Bank has a primary listing on the Muscat Securities Market (**MSM**) and its principal place of business is the Head Office, Commercial Business District, Muscat, P.O. Box 1507, P.C. 112, Ruwi, Sultanate of Oman. The Bank's website address is http://www.bankdhofar.com and its telephone number is +968 24 790 466.

As at the date of this Base Prospectus, the Bank had a network of 68 branches and 127 automatic teller machines (**ATMs**), 49 cash and cheque deposit machines (**CCDMs**) and five full function machines (**FFMs**). The Bank provides banking services to approximately 285,000 individual (retail) customers and approximately 15,000 corporate customers (including SMEs). In addition to the Bank's 58 conventional branches, the Bank has established a further 10 branches which are exclusively Islamic branches and which serve MAISARAH customers only. Customers of MAISARAH do not use services of the Bank's conventional branches.

As at 31 December 2015, the Bank was the second largest listed bank in Oman by total assets, representing approximately 11.8 per cent. of total assets and 14.1 per cent. of total loans advances and financing and 13.4 per cent. of total deposits of the Omani banking sector (source: CBO Quarterly December 2015 Statistical Bulletins). As at the date of this Base Prospectus, the Bank offers its services and products exclusively from within Oman and has no international operations.

The Bank's total assets amounted to RO 3.6 billion as at 31 December 2015, compared to RO 3.2 billion as at 31 December 2014 and RO 2.6 billion as at 31 December 2013. For the year ended 31 December 2015, the Bank's net profit was RO 46.8 million, compared to RO 40.5 million for the year ended 31 December 2014 and RO 58.4 million for the year ended 31 December 2013. The Bank's net profit of RO 58.4 million for the year ended 31 December 2013 included a legal case recovery of RO 26.1 million (or RO 23.0 million net of taxes). With the exclusion of this recovery for a legal case, the Bank's net profit for the year ended 31 December 2013 was RO 35.4 million. The Bank's net profits for the year ended 31 December 2015 increased by 15.6 per cent. compared to the year ended 31 December 2014. The Bank's net profits for the year ended 31 December 2014 increased by 14.2 per cent. compared to the year ended 31 December 2013 (with the exclusion of the legal case recovery of 2013).

Total equity amounted to RO 476.5 million (including RO 115.5 million perpetual Tier 1 Securities (as defined below)) as at 31 December 2015, compared to RO 325.3 million as at 31 December 2014 and RO 303.6 million as at 31 December 2013.

Since 1 January 2014, the Bank has been required by the CBO as part of the implementation of Basel III in Oman to maintain a minimum total capital adequacy ratio of 12.625 per cent. The Bank's total capital adequacy ratio is calculated in accordance with CBO guidelines and as at 31 December 2015 was 14.70 per cent., compared to 14.05 per cent. as at 31 December 2014 and 14.09 per cent. as at 31 December 2013. The Bank's Tier 1 capital ratio was 12.68 per cent. as at 31 December 2015, compared to 10.76 per cent. as at 31 December 2014 and 11.07 per cent. as at 31 December 2013.

As at 31 December 2015, the authorised ordinary share capital of the Bank comprised 2,200,000,000 ordinary shares of RO 0.100 each and the issued and fully paid-up ordinary share capital of the Bank comprised 1,544,728,546 ordinary shares of RO 0.100 each. As at 31 December 2015, 28.0 per cent. of the Bank's issued share capital was held by Dhofar International and 20.8 per cent. of the Bank's issued share capital was held by Eng. Abdul Hafidh Salim Rajab Al Aujaili & his companies (see "*Capital Structure—Bank Dhofar SAOG*" below). The Board of Directors in their meeting held on 26 January 2016 proposed a cash dividend of 15.0 per cent. amounting to RO 23.2 million and a bonus share issue of 10.0 per cent. amounting to 154,472,855 shares of RO 0.100 each, subject to the approval of the Central Bank of Oman and the Bank's shareholders during the Bank's annual general meeting. The shareholders of the Bank, in the annual general meeting held in March 2015, approved the issuance of a cash dividend of 5.0 per cent. amounting to RO 6.7 million and a bonus share issue of 15.0 per cent. amounting to 201,486,332 ordinary shares of RO 0.100 each for the year ended 31 December 2014 (compared to a cash dividend of 14.0 per cent. amounting to RO 16.9 million and a bonus share issue of 11.0 per cent. amounting to 133,114,093 shares of RO 0.100 each for the year ended 31 December 2013).

On 27 May 2015, the Bank issued perpetual Tier 1 Capital Securities (the **Tier 1 Securities),** amounting to US$ 300.0 million (RO 115.5 million) which are listed and traded on the Irish Stock Exchange. The Tier 1 Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with

IAS 32: Financial Instruments – Classification. The Tier 1 Securities do not have a fixed or final maturity date and they are redeemable by the Bank at its discretion on 27 May 2020 (the **First Call Date**) or on any interest payment date thereafter subject to the prior consent of the CBO.

The Tier 1 Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 6.85 per cent. Thereafter the interest rate will be reset at five year intervals. Interest is payable semi-annually in arrear and treated as deductions from equity.

As at the date of this Base Prospectus, the Bank has ratings of: Long-term IDR at 'BBB', Short-term IDR at 'F2', Viability Rating at 'bb+', Support Rating at '2' and Support Rating Floor at 'BBB' (stable outlook) by Fitch; and Long Term Bank Deposits Foreign Currency Rating at 'Baa1' (rating under review for further downgrade), Short Term Bank Deposits Foreign Currency Rating at 'P-2', Baseline Credit Assessment at 'ba1', Adjusted Baseline Credit Assessment at 'ba1' (negative outlook), Counterparty Risk Assessment at Baa1 and Short-term Counterparty Risk Assessment at Prime-2 by Moody's. Each of Moody's and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

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

- "SME Bank of the Year - Oman" at the Asian Banking and Finance (ABF) Retail Banking Awards 2015;
- "Website of the Year – Oman" at the Asian Banking and Finance (ABF) Retail Banking Awards 2015;
- "Oman Domestic Project Finance Bank of the Year" at the Asian Banking and Finance (ABF) Wholesale Banking Awards 2015;
- "Oman Domestic Cash Management Bank of the Year" at the Asian Banking and Finance (ABF) Wholesale Banking Awards 2015;
- "Best Branch Automation Project in Middle East 2015" by The Asian Banker;
- "Islamic Bank of the Year – Oman 2015" by The Banker;
- "Best Islamic Window – Maisarah, Oman 2015" by International Finance Magazine (IFM);
- "Best Mobile Banking Oman 2015" by International Finance Magazine (IFM);
- "Best SME Bank Oman 2015" by Global Banking & Finance Review;
- "Best Mobile E-Commerce Bank 2015" by Global Banking & Finance Review;
- "Best Islamic Bank Oman 2015" by Global Banking & Finance Review;
- "Straight Through Processing (STP) Award 2014 for financial payments in Euro" by Commerzbank, Germany;
- "Straight Through Processing (STP) Award 2014 for financial payments in U.S. Dollar" by Citibank;
- "Top 20 Oman's Largest Corporates Award" at the Oman Economic Review (OER) Finance Summit & Top 20 Awards;
- "Best Banking Strategy 2015" by The Banker Middle East;
- "Best Website 2015" by The Banker Middle East;
- "Customer Delight Award" by Middle East, North Africa & Asia (MENAA) Awards 2015; and
- "Best Business Leader Award" by Middle East, North Africa & Asia (MENAA) Awards 2015.

History

The Bank started its operations as "Bank Dhofar 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 two to 14.

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

In 2003, the Bank obtained all regulatory and administrative approvals for changing the Bank's name to "Bank Dhofar" 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 which comprises five members (see "—*Islamic Banking*" below).

Recent developments

Potential merger with Bank Sohar S.A.O.G.

The Board of Directors has expressed an interest in and has commenced discussions with Bank Sohar to explore the possibility of a merger between the two banks, subject to agreeing commercial terms, satisfactory due diligence and obtaining all necessary corporate approvals (including shareholders' approval) and regulatory approvals. Discussions between the two banks are currently ongoing on the potential terms of the merger, the optimum legal structure of the combined entity and the method and timing for the implementation and execution of the proposed merger. Consultants appointed to conduct legal and financial due diligence on Bank Sohar have commenced their due diligence processes and disclosures of substantive developments are expected to be made in accordance with regulatory requirements.

Strategy

Overview

In 2012, the Bank engaged external consultants, the Boston Consulting Group, to review the Bank's business and establish future strategies over a five-year period. As at the date of this Base Prospectus, the Bank is in the fourth year of its current 5 year business plan. As part of that business plan, in respect of the way it operates and delivers its services to its customers, the Bank will base its future strategy on the following overarching principles:

(i) *customer experience*, the Bank will focus on the promptness of the delivery of its services, offering tailored products to its customers, and actively monitoring customer satisfaction levels;

(ii) *brand*, the Bank will closely monitor the effectiveness of its marketing initiatives, the perception of its brand in the Omani market and will continue to emphasise its strengths to its customers, including the speed and variety of channels of delivery of its service;

(iii) *a performance-based culture*, the Bank will focus on setting clear objectives for its staff, encourage a culture where emphasis is placed on achieving a high quality performance often exceeding expectations and monitoring performance on a regular basis through a variety of initiatives, including a Bank-wide balance scorecard, which is a basis for each individual employee's key performance indicator (KPI). All staff members are provided with set KPIs at the beginning of each performance year in January, which are reviewed at mid-year and at the end of each year; and

(iv) *lean operating model*, which will involve efforts to consolidate branches, locate ATMs at strategic locations throughout Oman, to expand on the development of its network and product delivery channels and to consolidate teams and operations in order to drive efficiency.

In the context of these four overarching principles of doing business, the Bank's long term strategic goal is to be one of the leading banks in the GCC and the bank of choice for both retail and corporate customers within Oman. Management believes that the development of its network and product delivery channels, including its electronic and mobile banking services, will be key factors in its efforts to achieve its future growth targets.

The Bank believes that it can effectively address the current economic climate and recent regulatory changes in Oman in the medium to long term. The Bank believes it will achieve this through product innovation, revenue diversification and enhancing customers' experience through delivering a fast and reliable service. The Bank has planned the launch of a series of products, services and other initiatives and has been streamlining its processes during 2012, 2013, 2014 and 2015 in order to improve the turnaround time for responses to customer loan applications and enquiries. The Bank is working to fully engage and develop its people in order to maximise operational efficiencies and increase returns to shareholders. In addition, as at the date of the Base Prospectus, the Bank plans to continue to invest in advanced technology in order to provide "best in class" banking experiences to its customers.

The Bank's primary focus remains the continued expansion of its retail, corporate and treasury banking services in general, as well as its cash management and investment banking operations more specifically in order to enhance non-interest/financing income streams and thus further diversify its sources of revenue; and to continue to build on its existing Islamic banking capability, where the Bank believes there are opportunities for growth in the medium to long term. In terms of customer sectors, the youth and mass affluent population in Oman, growing corporates and SMEs will remain a key part of its strategic focus.

Implementation of Strategy

The Bank intends to achieve its long term strategic goals by implementing the following strategic themes:

(i) Identify, penetrate and develop new and existing market and customer segments

Business and financing structures have changed significantly over the past 10 to 20 years in the Middle East providing the Bank with opportunities to continue to develop existing markets and customer segments and to establish new ones. The Bank's operations are split into departments to provide specialised and expert services to different types of corporate and retail customer. For example, the Government has recently implemented policies to encourage the development of the SME sector in Oman, which has presented opportunities for the expansion of the Bank's SME operations in the country. In addition, the Bank has acted on recent Government-led initiatives to develop Islamic finance in the country (see "—Continue to expand Islamic banking capabilities" below). During 2013, 2014 and 2015, the Bank promoted its banking products and services to SME customers through the expansion of its dedicated SME banking division (which forms part of its Business Banking Department (see "—Business Activities—Operational Segmentation" below), focused on supplying services and products that are tailored to the specific financing needs of each SME customer taking into account the industry in which it operates and developed its Islamic finance capabilities through the establishment of its Islamic banking window. The Bank also increased its focus on the youth population in Oman as an upcoming and dynamic customer segment through its offering of education loans and student credit cards, which the Bank believes will encourage long term loyalty from such customers to the Bank. As the economy of Oman further develops and diversifies, the Bank will continue to identify and penetrate growing and emerging segments of the economy and seek to realise opportunities to develop and enhance its operations and services. In this context, the Bank has also been focusing on developing relationships with corporate entities (other than SMEs) which have the potential to grow further in the near to medium future, whether as a result of the strategic direction such entities are taking or the nature and future outlook of the industry in which they operate.

(ii) Leverage and optimise distribution

The Bank's geographic presence across Oman provides retail and corporate customers with a convenient and easy way to access Bank branch services. The Bank is focused on the rationalisation and development of its branch network in order to meet existing and future customer needs, which will include the establishment of branches at strategic locations, the consolidation of existing branches in order to promote efficiency and the offering of services at branches at flexible times in order to enhance customers' accessibility to relevant services and products. The Bank will also continue to develop flexible and more cost effective distribution channels. For example, the Bank will diversify revenue streams by utilising its existing retail branch network to strengthen its corporate and SME offerings by providing corporate and SME customer service representatives within branches. The Bank also believes that the development of its network and products delivery channels will be a key factor in its effort to achieve its future growth targets. It will continue to develop its technology-based channels of distribution, most importantly its electronic banking and mobile banking services, which will enable it to fully maximise a variety of customer "touch-points". See "*—Branch Network and Product Distribution—Other distribution channels*" below.

(iii) Maximise cross-selling opportunities

Customers will be potential buyers of products and services from the Bank's operating segments across Oman. Initiatives, including employee training, are being implemented to ensure that the Bank's staff consider their actions in the context of the entire Bank. Giving employees a greater knowledge of Bank-wide operations will also enhance cross-selling opportunities, principally between the Wholesale Banking Group and Retail Banking Group (see "*Business Activities*"). The Bank's employees' performance will be assessed to a significant extent on their ability to create and realise such cross-selling opportunities.

(iv) Continue to expand Islamic banking capabilities

In March 2013, the CBO enacted the Islamic Banking Regulatory Framework which enabled conventional banks operating in Oman to offer Islamic banking services and products to their customers. Although the Bank launched MAISARAH initially in order to retain its conventional banking customers who were seeking Islamic banking alternatives, the Bank sees Islamic banking as a significant area for future growth and revenue generation and a means of attracting new customers. MAISARAH seeks to achieve these goals by offering a variety of retail and corporate banking solutions on a Shari'ah-compliant basis to its existing customers and proactively competing with other current providers of Islamic banking services in Oman for new customers (see "—Islamic Banking" below). Further, MAISARAH is able to rely on the Bank's wider logistical support and technological infrastructure, which enables it to increase cost efficiency and maximise revenues. To accommodate the current growth of MAISARAH, the Bank has opened five dedicated Islamic banking branches in Oman.

(v) Achieve efficiency of capital and improve cost of funding

The Bank aims to continue to focus on the diversification of its revenue streams by growing its non-interest/financing sources of income (which consist primarily of income in the form of fees and commissions from advisory and investment banking services, foreign exchange profit, and investment and other income) in order to improve its cost-to-income ratios, cost of funding and the overall efficient deployment of capital within the Bank. For the year ended 31 December 2015, the Bank's cost-to-income ratio was 44.4 per cent., compared to 46.7 per cent. for the year ended 31 December 2014 and 50.6 per cent. for the year ended 31 December 2013. For the year ended 31 December 2015, the Bank's non-interest income to operating income ratio was 21.7 per cent., compared to 22.3 per cent. for the year ended 31 December 2014 and 25.7 per cent. for the year ended 31 December 2013. For the year ended 31 December 2015, the Bank generated RO 25.0 million from non-interest and financing activities, including corporate advisory and investment banking services, compared to RO 22.1 million and RO 23.0 million for the years ended 31 December 2014 and 31 December 2013 respectively. The Bank will seek to increase its revenue from non-interest and financing sources of income by continuing to build its advisory and cash management services capabilities. It will also continue to focus on improving operational efficiency and the effective deployment of personnel and promote the usage by its customers of its technology-based channels of distribution, so that it can operate at an optimum cost level without adversely affecting revenue generation.

(vi) Develop project financing capabilities

Domestic project financing activities in Oman are continuing to grow as businesses engage in a wider variety of financing options than were traditionally available in the country. The Bank is engaging with existing and potential corporate customers in order to assist with the financing of major projects. The Bank has a dedicated Project Finance and Syndications Department to arrange, syndicate and participate in various infrastructure and other projects initiated by the Government, quasi-Government companies and the private sector and is developing its strategy to increase the combination of working capital, project finance and syndication facilities offered to such customers in order to optimise the returns derived from this business segment. During the period between 2012 and 2015, the Bank has financed (either wholly or as part of a syndicate of financiers) many of the major infrastructural projects in Oman, including the projects undertaken by Oman India Fertilizer Company LLC, Sohar Aluminium, Oman Liquefied Natural Gas LLC, Oman Gas Company, Salalah Port, the Oman Refinery expansion and a number of power and water projects. The Bank aims to utilise its relationships with local and international banks for the purpose of ensuring full participation in future projects of this nature. See "*—Business Activities—Wholesale Banking Group*" below.

(vii) Maintain and develop relationships with the Omani Government and Government-related entities

The Bank continues to focus on its relationships with the Government and Government-related entities, which are the primary source of low cost deposits in Oman. The Bank has a dedicated Government Banking Division to maintain and improve such relationships and is already a leading provider of products and services to large public sector employers in Oman (see "*—Business Activities—Government Banking Division*" below). The Bank's continued development of its relationships with Government and Government-related entities will enable it to ensure that its cost of funds remain low and that it continues to have access to a steady stream of retail and corporate customers (see "*Competition and Competitive Strengths—its strong relations with the Omani Government* ").

(viii) Achieve growth through inorganic expansion

The Bank aspires to achieve the returns, scale and consistency of leading banks in the GCC region. While the Bank believes its organic growth strategy will help maintain profitability, to achieve its growth targets, the Bank believes it needs to increase the scale of its activities primarily by expanding its operations through acquisitions, where possible. The Bank will continue to look for merger and acquisition opportunities inside Oman. The organic approach to expansion has been limited due to difficulties in establishing green-field operations including as a result of licensing issues, longer gestation periods and learning curves for new set-ups. The Bank therefore intends to grow inorganically, where possible, within Oman in the near to medium future and in the GCC region in the long-term (see "*Recent Developments*" below). However, the inorganic approach to local and regional expansion has significant challenges. For further details, see "*Risk Factors—Risks relating to the Bank—The Bank may not be able to manage its expansion strategy effectively*").

Competition and Competitive Strengths

The Bank is subject to competition in the Sultanate of Oman from both locally incorporated and foreign banks. As at 31 December 2015, there were 16 commercial banks operating in Oman, of which seven were locally incorporated and nine were branches of foreign banks (source: CBO Quarterly Report September 2015).

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

The Bank believes that its competitive strengths are:

- **its strong operating performance and profitability**. The Bank's financial performance has continued to improve in recent years. As at 31 December 2015, the Bank's return on average total equity (calculated as net profit for the period divided by average total equity) was 11.7 per cent. (compared to 12.9 per cent. as at 31 December 2014 and 20.7 per cent. as at 31 December 2013), its return on shareholders' funds (calculated as net profit for the period divided by average shareholders' funds) was 13.6 per cent. (compared to 12.9 per cent. as at 31 December 2014 and 20.7 per cent. as at 31 December 2013), its return on average shareholders' paid-up capital (calculated as net profit for the period divided by average shareholders' paid-up capital) was 32.4 per cent. (compared to 31.7 per cent. as at 31 December 2014 and 50.6 per cent. as at 31 December 2013), its return on average assets (calculated as net profit for the period divided by average total assets) was 1.4 per cent. (compared to 1.4 per cent. as at 31 December 2014 and 2.5 per cent. as at 31 December 2013) and its non-performing loan ratio was 2.3 per cent. (compared to 2.6 per cent. as at 31 December 2014 and 3.0 per cent. as at 31 December 2013). The Bank's net profits as at 31 December 2013 included a legal case recovery of RO 26.1 million (or RO 23.0 million net of taxes). With the exclusion of this recovery for a legal case, return on average total equity was 12.5 per cent. and return on average shareholders' paid-up capital was 30.7 per cent. as at 31 December 2013. The Bank's financial performance has helped it to expand its network strategically across the country and attract new customers by offering competitively priced products and services.
- **its developed and diversified distribution and delivery channels**. The Bank sells its products and services through a number of delivery channels in Oman, including 68 branches and 127 ATMs, 49 CCDMs and five FFMs. Sales functions are also outsourced to a number of external agencies who engage in direct selling efforts with the Bank's customers. The Bank's focus on selling through non-branch channels, such as electronic banking and mobile banking, has increased substantially in the last three years and has resulted in a significant increase in business without the need for an equivalent expansion of the branch network. The Bank is reorienting its business strategies towards determining the optimal channel mix for each customer that will maximise revenue (or reduce costs) without reducing customer satisfaction or engagement. The Bank believes that, through electronic banking and mobile banking, customers today can interact with their bank more effectively. The e-banking department at the Bank launched mobile banking in September 2013, which was a customer-centric initiative with features such as fund transfers within the Bank, prayer timings, branch locator and utility

payments. The e-banking department has been successful in migrating customers from traditional banking to the 'BankDhofar Online Banking' medium, mobile banking and self-service machines and in attracting new customers who are accustomed to using such delivery channels. See "*—Branch Network and Product Distribution*" below.

- **its operational and organisational efficiency**. One of the Bank's main strategic objectives is to maximise its operational performance in order to further increase its profitability, cost of funding and market share by (i) developing products that address the customers' needs, (ii) realising operational and financial synergies across the Bank's business divisions and (iii) utilising the experience of the Bank's management to oversee the operational performance across its network of branches. As part of the Bank's efforts to re-engineer and optimise its processes and organisational structure, the Information and Technology Division was realigned in 2013 to support the future growth of the Bank through the optimal utilisation of resources. In addition, in accordance with the Bank's current five year business plan, the Branches Operations Department (**BOD**) was established in 2013. Some of the initiatives undertaken by the BOD include maintaining and monitoring ATMs and CCDMs and assisting the Bank's Risk Management Division in planning and conducting disaster recovery drills and testing of business continuity plans at the Bank's branches. Further, in 2013 the remit of the Central Operations Division was expanded following the centralisation of certain branch functions and data processing, thus enhancing the efficiency and productivity of the Bank's network. See "*—Key Operational Divisions*" and "*—Branch Network and Product Distribution—Branches*" below.

- **its Islamic banking window**. The introduction of MAISARAH in March 2013 has enabled the Bank to offer a wider range of Islamic financing and deposit-related products and services to meet customer needs, retain existing customers who require such products and services and attract new customers. MAISARAH was set up under the concept of 'bank within a bank', as a completely segregated unit within the Bank with its own corporate, retail, treasury, products, operations and Shari'ah departments to operate the Bank's Islamic banking window (however, for the purposes of Oman law, MAISARAH is considered as being part of the same legal entity as the Bank). A strong management team with knowledge and experience was appointed to run the business at MAISARAH and drive its growth for the future. With its strong Shari'ah governance and compliance policies, an emphasis in product innovation and development in order to fulfil business and customers' needs, and dedicated operational and logistical support from within MAISARAH as well as other operational divisions within the Bank, the Bank believes that MAISARAH is currently one of the fastest growing Islamic banking windows in the country in terms of growth of its asset book and customer base since its establishment. As at 31 December 2015, MAISARAH had RO 209.9 million of gross financing to customers and RO 192.1 million in deposits, compared to RO 133.0 million of gross financing to customers and RO 97.0 million in deposits as at 31 December 2014 and RO 28.3 million of gross financing to customers and RO 3.7 million in deposits as at 31 December 2013. MAISARAH's profit before tax for the year ended 31 December 2015 was RO2.6 million compared to a profit before tax of RO 0.23 million for the year ended 31 December 2014. In line with its stated objective of becoming one of the most successful Islamic banking windows in the country, MAISARAH was recognised as "Islamic Bank of the Year – Oman" in 2015 by The Banker, "Best Islamic Window – MAISARAH, Oman" in 2015 by the International Finance Magazine (IFM), as well as "Best Islamic Bank Oman" in 2015 by the Global Banking & Finance Review.

- **its strong relations with the Omani Government**. The Bank maintains strong relations with central and local Government departments, which enables it to have access and provide banking services to a significant number of government employees. As at the date of this Base Prospectus, the Bank is a supplier of banking services and products, including salary transfers and deposit taking, for the employees of the Ministry of Education, the Ministry of Health and the Ministry of Defence. As at 31 December 2015, 42.3 per cent. of the Bank's total deposits from customers were government deposits, compared to 43.4 per cent. as at 31 December 2014. Further, deposits provided by Government employees not only result in an increase in customer deposits overall, but are also typically low cost deposits, thus contributing to the Bank's overall lower cost of funds during the financial years ended 31 December 2015 and 31 December 2014. Further, the Civil Service Pension Fund, the Ministry of Defence Pension Fund and the Public Authority of Social Insurance are all key shareholders in the Bank (see "*Description of the Bank—Capital Structure*" below). The Bank anticipates that it will be in a position to continue to strengthen relationships with central and local government institutions and benefit from the onboarding of new customers as a result during 2016 as well. See also "*—Business Activities— Wholesale Banking Group—Government Relations Department*" below.

- **its strong corporate governance and risk management culture.** The Bank believes that corporate governance and risk management is an essential element in attaining, enhancing and retaining confidence in the Bank of its stakeholders, its customers and regulators. The Board of Directors are responsible for establishing the Bank's corporate governance code within the broad framework enunciated by the CBO and the Capital Market Authority. The Board of Directors is also charged with the responsibility of subjecting the code to periodic review in order to keep it relevant and up to date. In addition, the Board of Directors carries the responsibility of approving the strategic plans and internal policies of the Bank and instituting adequate controls for the achievement of its business objectives and for monitoring compliance with relevant rules and regulations. The Board of Directors is assisted in the discharge of its functions by five board committees, being the Board Credit Committee, Board Audit Committee, Board Risk Management Committee, Board HR Committee and Board Investment Committee (see "*Directors, Senior Management and Employees*" below). With regard to risk management, the Bank has a well-established Risk Management Division (the 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 that the various divisions of the Bank (including MAISARAH) operate at all times within this framework. The Bank has invested significantly in sophisticated risk management software to support the Bank's comprehensive risk management policy. Through the Bank's software system and risk management policy, the Bank is able to monitor and address all key risk areas affecting the Bank's divisions, including liquidity risk, credit risk, market risk, fraud risk, operational risk, business continuity management and recoveries in respect of non-performing assets.

Capital Structure

As at 31 December 2015 the Bank's major shareholders were:

	Percentage of total Bank shares
Dhofar International Development & Investment Holding Company S.A.O.G.	28.00
Eng. Abdul Hafidh Salim Rajab Al Aujaili & his companies	20.84
Civil Service Pension Fund	10.21
Ministry of Defence Pension Fund	8.73
Public Authority of Social Insurance	8.33
H.E. Yousuf bin Alawi bin Abdullah & his Companies	6.85
Qais Omani Establishment LLC	6.27

Dhofar International Development & Investment Holding Company S.A.O.G.

Dhofar International is the largest shareholder in the Bank with a shareholding of 28.00 per cent. as at 31 December 2015. Dhofar International was formed on 9 December 1987 by a Ministerial Decree No.127/87 and registered in the Sultanate of Oman as a public joint stock company. Dhofar International's shareholders include mainly local investors (whether individuals or corporates), major financial institutions, pension funds, insurance companies, various stock dealing companies, all resident in Oman, as well as a number of GCC and foreign investors. Its shares are listed on the MSM. Dhofar International is considered to be one of the largest investment companies in Oman and its main activities involve the promotion of economic and industrial development in Oman through investments in projects in a variety of economic and business sectors, and the enhancement of education, training and creation of employment opportunities for Omani citizens.

Eng. Abdul Hafidh Salim Rajab Al Aujaili & his companies

H.E. Eng. Abdul Hafidh Salim Rajab Al Aujaili & his companies held 20.84 per cent. of the Bank's share capital as at 31 December 2015. H.E. Eng. Abdul Hafidh Salim Rajab Al Aujaili is currently the Chairman of the Bank. In addition, he is the promoter shareholder of well-established institutions in Oman, such as Dhofar International, the Dhofar Power Company and Oman Aviation. H.E. Eng. Abdul Hafidh Salim Rajab Al Aujaili also has a 99.0 per cent. holding of shares in Malatan Trading and Contracting LLC (Malatan), an automotive company which was established in 1976. Malatan is a major shareholder of Dhofar International and is one of the promoter shareholders of the Bank.

Insurance and pension funds

Oman social insurance and pension funds collectively held 29.6 per cent. of the Bank's shares as at 31 December 2015. These are classified as an indirect shareholding by the Government, which, together with the Government's shareholding in Dhofar International constitutes a total indirect shareholding by the Government of 34.0 per cent. The funds are cash rich and are also major depositors of the Bank. Each of the funds has one representative on the Board of Directors.

Business Activities

Financial reporting segmentation

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

- ***retail banking*** offering products and services to retail customers (including employees of central and local government departments), including private customer current accounts, savings, deposits, credit and debit cards, consumer loans and mortgages;
- ***corporate banking*** offering products and services to corporate customers, including direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products;
- ***treasury and international banking*** providing a full range of treasury products and services including money market and foreign exchange to the Bank's customers in addition to managing liquidity and market risk.

Set out below is a summary of certain segmental financial information for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013:

	Retail banking	**Corporate banking**	**Treasury and international banking**	**Total**
As at/for the year ended 31 December 2015	*RO '000*	*RO '000*	*RO '000*	*RO '000*
Segment operating revenues	69,854	53,602	2,400	125,856
Other revenues..	7,262	10,268	7,489	25,019
Net operating income..	64,348	47,975	2,903	115,226
Operating Expense Including Depreciation	(25,382)	(22,469)	(3,348)	(51,199)
Impairment for loans and investment net recoveries from allowance for loans impairment..	(7,906)	(908)	(2,712)	(11,526)
Net profit for the year	27,666	21,911	(2,812)	46,765
Segment assets..	**1,484,651**	**1,659,290**	**548,147**	**3,692,088**
Less: Impairment allowance	(45,542)	(53,076)	(409)	(99,027)
Total segment assets	**1,439,109**	**1,606,214**	**547,738**	**3,593,061**
Segment liabilities	**987,119**	**1,707,445**	**421,968**	**3,116,532**

	Retail banking	**Corporate banking**	**Treasury and international banking**	**Total**
As at/for the year ended 31 December 2014	*RO '000*	*RO '000*	*RO '000*	*RO '000*
Segment operating revenues	61,043	46,894	2,470	110,407
Other revenues..	7,567	7,758	6,738	22,063
Net operating income..	56,337	39,161	3,353	98,851
Operating Expense Including Depreciation	(22,864)	(20,211)	(3,088)	(46,163)
Impairment for loans and investment net recoveries from allowance for loans impairment..	(5,188)	(1,674)	(72)	(6,934)
Net profit for the year	25,006	15,276	171	40,453
Segment assets..	**1,160,090**	**1,492,117**	**629,963**	**3,282,170**
Less: Impairment allowance	(52,330)	(35,274)	(439)	(88,043)
Total segment assets	**1,107,760**	**1,456,843**	**629,524**	**3,194,127**
Segment liabilities	**671,636**	**1,917,840**	**279,333**	**2,868,809**

As at/for the year ended 31 December 2013	Retail banking	Corporate banking	Treasury and international banking	Total
	RO '000	*RO '000*	*RO '000*	*RO '000*
Segment operating revenues	57,808	40,161	2,256	100,225
Other revenues	9,428	5,512	8,104	23,044
Net operating income	54,921	30,312	4,325	89,558
Operating Expense Including Depreciation	(24,479)	(15,527)	(5,310)	(45,316)
Impairment for loans and investment net recoveries from allowance for loans impairment	(1,823)	(2,044)	(367)	(4,234)
Net profit for the year	34,418	22,966	1,023	58,407
Segment assets	**947,588**	**1,246,011**	**492,766**	**2,686,365**
Less: Impairment allowance	(36,039)	(44,580)	(367)	(80,986)
Total segment assets	**911,549**	**1,201,431**	**492,399**	**2,605,379**
Segment liabilities	**488,143**	**1,632,295**	**181,334**	**2,301,772**

Operational segmentation

On an operational level, the Bank's business operations are split between the Retail Banking Group, the Wholesale Banking Group, the Treasury and International Banking Group, Islamic banking through MAISARAH and the Government Banking Division.

The operations of the Retail Banking Group involve the offering of 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;
- 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. The operations of the Wholesale Banking Group include the following divisions:

- the Corporate Banking Department;
- the Business Banking Department;
- the Payments and Cash Management Services Department;
- the Corporate Advisory and Investment Banking Services Department;
- the Trade Products Department; and
- the Wholesale Banking Group Projects & MIS Department,

  all of which are described below (see "*Wholesale Banking Group*").

The operations of the Treasury and International Banking Group include the following:

- providing corporate and retail customers with a wide variety of foreign exchange and interest rate products which aim to meet their requirements regarding liquidity, cash flow management, and address the risk they face in respect of interest rate fluctuations and foreign exchange volatility;
- providing its customers with up-to-date information about products and local and international markets on a regular basis, and conducting educational workshops for its priority banking customers on hedging and other services offered by the department;

- managing the funding and liquidity requirements of the Bank, the Bank's deposits and investments and the Bank's correspondent relationships with local and international banks.

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.

The Bank has also set up an independent Government Banking Division which is tasked with developing the Bank's relationships with Government departments, public authorities and quasi-government entities.

Retail Banking Group

As at 31 December 2015, the Bank's retail banking assets amounted to RO 1,439.1 million and accounted for 40.1 per cent. of the Bank's total assets (compared to RO 1,107.7 million and 34.7 per cent. as at 31 December 2014 and RO 911.5 million and 35.0 per cent. as at 31 December 2013). As at 31 December 2015, the Bank provided banking services to approximately 279,000 retail customers.

For the year ended 31 December 2015, retail banking activities generated operating revenues of RO 77.1 million which accounted for 51.1 per cent. of the Bank's total operating revenues (compared to RO 68.6 million and 51.8 per cent. for the year ended 31 December 2014 and 67.2 million and 54.5 per cent. for the year ended 31 December 2013).

Although the Bank's retail banking products and services are targeted at both Omani nationals and expatriates, the Bank has offered its products and services predominantly to Omani nationals to date. As at 31 December 2015 the Bank's retail customer portfolio was composed of approximately 97.4 per cent. Omani nationals and approximately 2.6 per cent. expatriates. The Bank considers that the key selling points for its retail customers are its breadth of services and products offered across the country, its physical as well as electronic distribution channels, its focus on delivering value add services to its customers and the user-friendly nature and strategic location of its branch network.

The Bank is actively reducing its retail customer servicing costs, where possible, by offering alternatives to the traditional branch network including internet banking, mobile banking, ATMs, CCDMs and FFMs. See "*—Branch Network and Product Distribution—Other distribution channels*" below.

The principal retail products and services offered by the Bank include:

Current, savings, time deposit accounts

The Bank offers a wide range of deposit products in local and foreign currencies and both interest-bearing and non-interest-bearing, including (i) time deposits, (ii) current and call accounts and (iii) savings accounts. The Bank also offers Shari'ah-based current accounts, savings accounts and time deposits through MAISARAH (see "*—Islamic Banking Division*" below), which are structured on a Shari'ah-compliant basis. The deposits are offered in major foreign currencies with varying features on interest and profit payments and on terms that are competitive and suitable to meet customer needs. The Bank offers a prize money draw scheme for its Al-Heson, Mazen and Mazoon savings deposit account holders.

Current accounts. The Bank offers its customers current accounts, which include overdraft facilities at competitive rates and other flexible terms in accordance with market standards.

The Bank offers a variety of debit cards connected to current accounts, and also introduced its "Cardless ATM withdrawal" initiative through its mobile banking services in 2013, which has been popular with customers.

Savings accounts. The Bank offers three types of savings accounts: (i) Al Heson accounts, (ii) Hi Yield accounts and (iii) Mazen & Mazoon accounts. Al Heson and Mazen & Mazoon account holders are given the opportunity to participate in periodic draws with cash prizes being rewarded to the winning retail customers.

Time deposits. The Bank offers three types of time deposits: call deposits, which require a minimum opening balance of RO 100, cater for all major foreign currencies, offer interest which is payable on a monthly basis in line with the prevailing market environment and permit the deposit and withdrawal of funds without restriction; fixed deposits, which require a minimum opening balance of RO 1000, cater for all major foreign currencies, permit the deposit of funds for a set period of time of one three, six, 12, 24, 36, 48 and 60 months (as well as modified periods according to the customer's needs), carry a flat penalty of one per cent. of the applicable interest rate if the deposit is withdrawn before the maturity date and offer credit facilities against the deposited amount as collateral; and flexi deposits, which require a minimum opening balance of RO 20,000, are available in RO and USD currencies, offer competitive interest rates, permit the transfer of interest on a monthly, quarterly, semi-annual and annual basis to another account of the customer and carry a flat penalty of one per cent. of the applicable interest rate if the deposit is withdrawn before the specified maturity date.

Lending

The Bank offers its credit facilities almost exclusively to customers based in Oman. The Bank offers primarily housing loans, personal loans, education loans and car loans. In April 2012, the disbursement of housing loans was centralised and entrusted to the Bank's Credit Administration Department'. Subsequent to the implementation of a new loan origination system, the disbursement of personal loans and all credit processes of MAISARAH products, including Ijarah, Murabaha and diminishing Musharaka products, are centralised at the Credit Administration Department.

Housing loans. Housing loans are provided by the Bank in order to assist its retail customers with the purchase of residential land for development, the purchase of existing residential property, the construction and maintenance of residential property and the refinancing of existing housing loans. The Bank has placed significant emphasis on ensuring that housing loan applications are efficient and reach an outcome on an expedited basis, in order to ensure customers' needs are met quickly and on the basis of affordable pricing. The Bank's aim is to respond to housing loan applications within an average of five days from the date of submission of the application and to communicate initial responses to customers within one day of submission of the application. To achieve this, the Bank has ensured that applications are processed in a streamlined and seamless manner through its online loan origination system. According to the Bank's internal lending policy, such loans do not exceed 60 per cent. of the purchase price of the property being acquired or the price paid for development of the land. The maximum limit set by the Bank for housing loans is RO 500,000 per customer. The Bank's internal cap on housing loan exposures is the same as the statutory limit of 15 per cent.

As at 31 December 2015, the housing loans portfolio (excluding staff loans) amounted to RO 407.1 million and accounted for 14.4 per cent. of the Bank's total loans, advances and financing to customers amounting to RO 2,827.9 million.

Personal loans. The Bank offers its retail customers general purpose loans which are supported by salary transfers to the Bank and can be regarded as salary-related unsecured loans. First-time loans are offered to customers borrowing from the Bank for the first time and who are individuals who are either permanent employees of the Government or of quasi-Government entities, or are employed by private sector entities approved by the Bank. In order to qualify for a first-time loan, a customer must assign its right to receive its salary from its employer in favour of the Bank. The loans also carry benefits such as individual life assurance covering the loan amount and access to online services enabling the customer to monitor the outstanding amount and monthly payments made as part of the agreed repayment schedule. Buy-out loans enable customers to essentially transfer an existing loan with another bank to the Bank. They carry terms and benefits which are similar to those of first-time loans. Top-up loans provide customers with additional funds during times of unforeseen expenses on an existing Bank loan. The aim of this product is to enable customers to easily borrow additional amounts without having to apply for a new loan. The topped-up loan carries the same terms as the original loan to which it relates.

Education loans. The Bank launched its education loan product in 2013 and believes that its offering in respect of this product is one of the most attractive to customers in Oman. The launch of this product is part of the Bank's efforts to target the young population of Oman before they are in employment and thus create a stream of loyal customers for the future. The Bank offers education loans to higher education students studying in Oman and Omani students studying overseas. The terms of the loan include the ability to pay interest only during the period of study, with the principal being repaid one year after graduation, and at competitive interest rates. The maximum amount lent by the Bank as an educational loan is RO 25,000 per customer.

Car loans. The Bank offers its customers car loans which are typically secured against the vehicle acquired by the customer and the Bank also requires that customers transfer their salaries to a Bank Dhofar account in order to qualify for the loan. The Bank believes that its car loan product is one of the most attractive in the Oman market due to the flexibility of its terms and competitive interest / profit rates.

As at 31 December 2015, retail loans excluding staff loans amounted to RO 1,306.4 million and accounted for 46.2 per cent. of the Bank's total loans, advances and financing to customers of RO 2,827.9 million.

Credit and debit cards

The Bank offers retail customers a variety of branded credit and debit cards (including student credit and debit cards) in association with MasterCard and Visa. The range of credit and debit cards includes the brands "Platinum", "Gold", "Silver", "E-commerce"(which is specifically designed for transactions through the internet and can be used only online), "Al Noor"(which offer the most flexible repayment terms) and "Al Riadah" (which are available only to priority banking customers) and are offered to customers on the basis of their salary and/or deposits and other investments held with the Bank. Credit cards offer customers access to a variety of free services and amenities, as well as free travel insurance. Credit card interest rates are regulated by the CBO and are approximately 18 per cent. per annum, with credit card holders also being charged an annual card fee by the Bank (although the Bank may waive such fee depending on the size of the relevant customer's deposits with the Bank and his or her loyalty status). The Bank is focused on increasing credit card usage among its retail customers. In order for a customer to apply for a credit card, such customer must have a retail account with the Bank.

Priority banking and Hawa ladies banking

To qualify for priority banking products and services, a customer must satisfy a number of conditions, including having a minimum monthly salary of RO 2,000, being a large depositor or being a high net worth individual according to the Bank's criteria.

Al Riadah

Al Riadah banking services were introduced in 2011 to offer the Bank's priority customers greater convenience and exclusivity with a range of products and services to meet their financial needs. Al Riadah lounge services are also offered in selective branches of the Bank where customers receive preferential banking services, with four fully equipped centres in Muscat, Salalah and Sohar. Exclusive debit and credit cards with higher withdrawal limits are provided to customers.

Banking services

Since 2012, the Bank has also offered a personal banking suite of products and services, including savings accounts, fixed deposits and current accounts, loans, overdraft facilities and cards to meet the personalised needs of its priority banking customers.

Hawa ladies banking

In 2011, the Bank introduced Hawa ladies banking, which is the personalized ladies banking service of the Bank that offers customers privacy, convenience and the privileges of a unique lifestyle. Hawa ladies banking services include preferential services at the Bank's branches.

Bancassurance

In 2011, the Bank entered into a bancassurance relationship with Oman United Insurance Co., which offers home, family and motor insurance products to the Bank's retail customers. Such products have been well received by customers and assist with the diversification of the Bank's retail sources of revenue. The Bank believes that its bancassurance products offer one of the most attractive 'no claim' bonus discounts in the Omani market. In 2014, the Bank's bancassurance division launched one new product (called "Saving Plan") through MetLife, which is one of the leading life insurance companies in the world.

Wholesale Banking Group

The Bank's Wholesale Banking Group consists of the following departments: (i) Corporate Banking; (ii) Business Banking; (iii) Payments and Cash Management Services; (iv) Corporate Advisory and Investment Banking; (v) Wholesale Banking Group Projects & MIS Department and (vi) Trade Finance.

As at 31 December 2015, the Bank's Wholesale Banking Group's assets amounted to RO 1.6 billion and accounted for 44.7 per cent. of the Bank's total assets (compared to RO 1.5 billion and 45.6 per cent. as at 31 December 2014 and RO 1.2 billion and 46.1 per cent. as at 31 December 2013).

For the year ended 31 December 2015, corporate banking activities generated operating revenues of RO 63.9 million which accounted for 42.3 per cent. of the Bank's total operating revenues (compared to RO 54.7 million and 41.3 per cent. for the year ended 31 December 2014 and RO 45.7 million and 37.1 per cent. for the year ended 31 December 2013).

As at 31 December 2015, the Bank provided banking services to approximately 14,000 corporate customers.

The Bank's wholesale banking operations consist of the following products and services:

- *Corporate Banking Department* which provides services and products tailored to appeal to large corporate customers and growing corporates in Oman and includes project finance and syndication for infrastructure projects. The Bank's corporate customer base is spread out across a wide range of industries which include trading, manufacturing, services and contracting. The credit requirements of the Bank's corporate customers are therefore varied and dynamic, which the Corporate Banking Department seeks to cater for through its continuous interaction with customers in order to understand their business cycle and financing needs. For growing corporates, the Bank is adopting a sector-focused approach in that it seeks to tailor new products and services to specific businesses. The Wholesale Banking Group anticipates significant opportunities in corporate banking in the future as it believes that private investment in the country will witness growth in tandem with the growth of the country's economy. As a strategy, the Corporate Banking Department is concentrating on growing companies which have potential to grow further in the near to medium term. The department will also seek to benefit from building relationships with customers in the oil and gas sector, the expansion of the industrial bases at Barka, Sohar, and Duqm and opportunities arising from Oman's railway project which commenced in 2015. The Corporate Banking Department adapts to the dynamic environment in Oman and realigns its approach along with changing markets.

The department offers its customers:

(i) syndicated and club loan facilities as well as structured finance solutions for a variety of short-term and long-term projects, including infrastructure and power. Such products are offered in Omani Rial and other major currencies;

(ii) specific contract finance based on the relevant customer's cash flows;

(iii) real estate financing;

(iv) a range of bonds including letters of guarantee, tender or bid bonds and performance bonds; standby letters of credit and letters of credit for capital expenditure, issued by the Bank ensuring the relevant beneficiaries that customers' obligations will be satisfied when due;

(v) corporate deposit products, corporate credit cards as well as business debit cards;

(vi) overdraft facilities;

(vii) term loans of various maturities both for capital expenditure and working capital requirements;

(viii) commercial mortgage loans, loans collateralised against shares or against trust receipts;

(ix) letters of credit and acceptance;

(x) advances against receivables;

(xi) bill discounting, which allows a customer to borrow money against its sales invoices, and services for bills collection and payment; and

(xii) merchant acquiring solutions for payment processing.

As at 31 December 2015, the Bank provided banking services to approximately 6,000 corporate customers, excluding SME customers of the Business Banking Department.

- *Business Banking Department* which is dedicated to providing customised financing solutions and advisory services to the Bank's SME customers in Oman. With the growing importance of the SME sector to the development of the economy in Oman, the Bank has embarked on a strategic initiative to participate in the further development of SMEs in Oman and to increase its market share in respect of this customer segment. The creation of a separate department to cater for SME customers is evidence of the Bank's commitment to this sector of the economy and the fact that the requirements of such customers are diverse in nature and that credit exposure to this segment of customers is associated with peculiar risk characteristics. The Bank believes that relationships with customers in this segment need to be managed by staff who are skilled and experienced in SME financing and who understand the specific business requirements and provide a timely and appropriate delivery of credit to such customers. Dedicated business relationship officers possessing the required set of skills are deployed to serve customers and provide appropriate financing solutions to entrepreneurs in this segment. The Bank seeks to extend its products and services to SME customers across the country by maximising the use of its delivery channels and by leveraging its technology.

  The Business Banking Department offers products and services similar to those offered to mid-sector corporate customers.

  As at 31 December 2015, the Bank provided banking services to approximately 8,000 SME customers.

- *Payments and Cash Management Services Department* which aims to enhance and add value to corporate customers' overall banking services. This department offers cash management services and solutions to the

Bank's corporate customers in order to enable them to manage aspects of their financial cash flows, such as collection of revenue, disbursements of expenses and other payables, tracking as well as the investment of surplus funds. The department achieves this by offering customers technologically advanced products and services such as the launch of the "Business Debit Card", which is issued in a company's name and linked directly to its corporate account and may be used by authorised staff of that corporate (in comparison to an individual account which may be used by an individual accountholder only) the introduction of new value added features and services through the corporate internet banking channel, introducing a corporate collection service at branches using customised deposit slips and introducing a remote "Cheque Capture & Deposit" system to enable customers to present and process their bulk cheques through the Bank from their own premises. In addition, the Trade Finance Department is part of the Payment and Cash Management Services Department, which includes a specialised unit, the Trade Products (Sales) Department that develops and markets products in the trade finance sector for the benefit of the Bank's customers (see "– Trade Finance Department" below). In 2013, the Bank introduced a merchant acquiring solution, which is a mechanism for the processing of the payments of corporate clients through point-of-sale devices and e-channels and which covers payments of all types of payment cards, including Visa, Mastercard and American Express. The latest technology in point-of-sale devices is offered to merchants for the efficient and convenient processing of their sales transactions. Since its launch, the merchant acquiring solution has emerged as the second largest merchant acquirer in Oman,

- Corporate Advisory and Investment Banking Services Department which offers specialised strategic advisory services to customers in a variety of industry sectors, including oil & gas, telecommunications and financial institutions, in respect of mergers and acquisitions, divestitures, capital planning, capital structures, private placements, startups, joint ventures, business re-engineering, feasibility studies, financial structuring, raising equity and raising debt, in order to enable such customers to maximise their financial and business opportunities. The department is currently advising customers in the private sector as well as government and government-related entities. The Bank aims to significantly increase its revenue from the department's activities in the next three years (see "*—Strategy—Achieve efficiency of capital and improve cost of funding*" above).
- *Wholesale Banking Projects & MIS Department* which aims to enhance productivity from existing resources at the Bank through new initiatives and projects relating to the improvement of available systems and processes within the Wholesale Banking Group. The department has dedicated teams to ensure accurate and timely reporting of information to various stakeholders of the Bank and management and to carry out loan portfolio monitoring functions. The department provides the necessary support to the Bank's business teams by monitoring early warning signs in respect of its loan portfolio and assists the Bank's front office business units in initiating the appropriate advisory and restructuring measures for non-performing accounts where appropriate. See *"—Risk Management—Credit Risk—Corporate Credit Risk"* below.
- *Trade Finance Department* which is part of the Payments and Cash Management Services Department, handles specific trade requirements of the Bank's corporate and retail customers. The department liaises closely with the Retail Banking Group and Treasury and International Banking Group and develops and markets products in the trade finance sector for the benefit of the Bank's customers. The services offered by the Trade Finance Department include various fund-based credit facilities to customers, such as export bill purchase and discounting and import financing, as well as non-fund based credit facilities such as import and export letters of credit, performance and payment guarantees, bid bonds, export and import bill collection and risk participation for local and overseas transactions. As at 31 December 2015, the Bank's trade finance assets amounted to RO 844.32 million and accounted for 23.5 per cent. of the Bank's total assets (compared to RO 716.01 million and 22.4 per cent of the Bank's total assets as at 31 December 2014 and RO 461.9 million and 17.7 per cent of the Bank's total assets as at 31 December 2013.

Government Banking Division

The Bank has a dedicated Government Banking Division which is tasked with leading the business development initiative with regard to customers in the government sector (which includes Government as well as quasi-government entities) and which deals directly and indirectly with Government departments and authorities to facilitate all of the Government's banking requirements including deposits, loans, credits and foreign currency exchange. The division also coordinates with branches of the Bank throughout the regions of Oman to provide the various departments of the Bank with information about projects under development by the Government, subject to the requirements of confidentiality. The Bank has benefitted from developing relationships with Government entities through obtaining access to large numbers of new retail customers. As at the date of this Base Prospectus, the Bank is a supplier of banking services and products, including salary transfers and deposit taking, for the employees of the Ministry of Education, Ministry of Health and Ministry of Defence.

Treasury and International Banking Group

As at 31 December 2015, the Bank's Treasury and International Banking assets (mainly comprising inter-bank, money market placements and liquid assets) amounted to RO 547.7 million and accounted for 15.2 per cent. of the Bank's total assets (compared to RO 629.5 million and 19.7 per cent. as at 31 December 2014 and RO 492.4 million and 18.9 per cent. as at 31 December 2013).

For the year ended 31 December 2015, treasury activities generated operating revenues of RO 9.9 million which accounted for 6.6 per cent. of the Bank's total operating revenues (compared to RO 9.2 million and 7.0 per cent. for the year ended 31 December 2014 and RO 10.4 million and 8.4 per cent. for the year ended 31 December 2013).

The Bank's Treasury and International Banking Group (**Treasury**) predominantly manages the funding and liquidity requirements and lending ratios of the Bank and monitors and managers the interest rate risk, exchange rate risk, market risk and liquidity risk to which the Bank is exposed on a daily basis. Treasury also has a sales team which structures and sells treasury and foreign exchange and interest rate hedging instruments and offers a range of products to cater to the evolving financial needs of the Bank's customers. The Bank does not trade these products for its own account.

In addition, Treasury is responsible for developing mutually beneficial relationships with financial institutions worldwide. Through its large network of 150 correspondent banks, Treasury facilitates international business on behalf of its retail and corporate customers at competitive pricing levels and with a focus on ensuring that its customers receive an overall high quality of service throughout such processes. Treasury is also responsible for managing the Bank's relationships with the credit rating agencies which are engaged from time to time to provide the Bank's corporate credit ratings.

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

- *Foreign Exchange and Derivatives Sales Desk* which offers foreign exchange, commodities, interest rates and derivative solutions to customers. These products are designed to manage a customer's financial risk through offering spot, forwards, swaps, options and other customised product offerings. Treasury offers its corporate, retail and high net worth individual customers attractive interest rates on foreign currency deposits in all major currencies as well as competitive exchange rates against a variety of major and emerging market currencies. Treasury also provides customers with regular market updates on topics related to macroeconomics, products and financial markets and holds regular seminars for customers on the different hedging techniques and services offered by the Bank. The Bank does not trade these products on its own account;
- *Money Market Desk* which manages the Bank's liquidity and is actively involved in lending and borrowing operations with both local and international banks. This desk also manages the Bank's investment in its equity portfolio (which is comprised primarily of equities in companies listed on the MSM) and its limited investments in local and global investment grade-rated sovereign bonds. During the year ended 31 December 2015, the Bank's investment portfolio yielded a total realised investment income of RO 4.4 million, compared to RO 3.9 million, for the year ended 31 December 2014 and RO 5.7 million for the year ended 31 December 2013; and
- *Interbank Desk* which plays a key role in mitigating the Bank's market risks arising due to customer's foreign currency and derivative transactions through hedging activities.

Government Treasury Services

The Bank is a primary dealer, as well as an over-the-counter agent, for the Government bonds market. The CBO regularly issues medium term bonds denominated in Omani Rials on behalf of the Government of Oman. As at 31 December 2015, the Bank held RO 120.2 million of Government bonds, compared to RO 89.0 million of such Government bonds as at 31 December 2014.

Islamic Banking Division

In 2013, the Bank launched MAISARAH, under which it offers retail and corporate Shari'ah-compliant financial services and products to its customers. Since the launch of MAISARAH, the Bank has introduced Shari'ah compliant retail banking channels such as ATMs, debit cards and internet banking facilities. All activities conducted by MAISARAH are independent and separate from the Bank's conventional banking operations. To date, the Bank has established an Islamic finance banking team at its head office and has opened five dedicated Islamic banking branches (which are exclusively available to its Islamic banking customers) located in the Muscat (Al Hail, Azaiba), Dhofar (Salalah), Barket Al Mauz and Sohar (Batinah) regions of Oman. Customers of MAISARAH do not use services of the Bank's conventional branches. The Bank plans to increase the number of dedicated Islamic banking branches during 2016.

MAISARAH started its retail banking operations in March 2013, and wholesale banking operations in August of that year, with an aim to be the leader in the provision of Islamic financing solutions for large corporate, mid-sector corporate and SME customers. Recently, MAISARAH implemented the Fixed Deposit Islamic product, which is a Mudaraba-based deposit product offered to retail customers allowing them to invest funds with the Bank over periods ranging from 1 month to 5 years, and the 'Diminishing Musharakah' product, which is an investment product offered to the Bank's corporate customers, in order to meet customers' investment and funding needs. In addition, MAISARAH customers can use their Shari'ah-compliant ATM cards on any ATM worldwide through OmanNET and VISA gateways. Shari'ah-compliant ATM cards are also accepted on the Bank's 'Point of Sale' devices.

MAISARAH also has a dedicated treasury division which ensures that MAISARAH's funds and currency positions are managed prudently by adhering to internal and regulatory limits throughout its business operations with the overall objective of achieving a planned growth in Islamic finance products and services. The treasury division has recently signed bilateral Wakala agreements with the majority of local Islamic banks and Islamic banking windows at conventional banks in Oman and has structured a specific liability management product for corporate customers with two variations, Wakala (*Ameen*) Term Deposit and Wakala (*Ameen*) Investment Accounts. MAISARAH continues to invest in Islamic product development in order to address retail and corporate customers' financing requirements.

As at 31 December 2015, MAISARAH had RO 209.9 million of gross financing to customers and RO 192.2 million in deposits, compared to RO 133.0 million of gross financing to customers and RO 97.0 million in deposits as at 31 December 2014 and RO 28.3 million of gross financing to customers and RO 3.7 million in deposits as at 31 December 2013. During 2013, 2014 and 2015, MAISARAH's assets were almost exclusively in the form of Ijarah Muntahia Bittamleek and Diminishing Musharaka financing, whereas its customer deposits comprised mainly current accounts. As at 31 December 2015, its total assets amounted to RO 299.4 million representing 8.3 per cent. of the Bank's total assets. For the year ended 31 December 2015, MAISARAH recorded a profit before tax of RO 2.6 million compared to a profit of RO 0.2 million for the year ended 31 December 2014 and a net loss of RO 2.2 million for the period 3 March 2013 to 31 December 2013 (its first months of operation).

The Bank has established a separate Shari'ah Supervisory Board (see "*Directors, Senior Management and Employees—Management Committees*"), to review MAISARAH's activities and provide necessary guidance. The Bank's Shari'ah Supervisory Board reviews and approves all Islamic banking products prior to their launch and monitors compliance with Shari'ah principles.

MAISARAH was awarded "Islamic Bank of the Year – Oman" in 2015 by The Banker, "Best Islamic Window – MAISARAH, Oman" in 2015 by the International Finance Magazine (IFM) and "Best Islamic Bank Oman in 2015" by the Global Banking & Finance Review.

Key Operational Divisions

Central Operations Division (COD)

The Central Operations Division was created and expanded for the purposes of centralisation of certain branch functions and the transfer to it of certain functional responsibilities from the Bank's head office. The main functions assigned to the Central Operations Division relate to automated routine processes previously carried out at the Bank's branches, such as payroll, inward clearing, bulk transfer of cheques, inward remittances, collection of foreign currency cheques, fund transfers within Oman, standing instructions, review of monthly balancing certificates, monitoring compliance of branches with audit recommendations, re-engineering and automation processes and cash operations. Through the transfer of such functions at the Central Operations Division, the Bank aims to maintain high operational standards and efficiency, reduce operational errors and simplify processes undertaken at branch level, thus enabling the branches to focus on customer service and business development.

Information and Technology Division

During 2013, the Bank realigned the Information and Technology Division (the **ITD**) for the purpose of optimising its processes and organisational structure and to assist the future growth of the Bank through the optimal utilisation of resources.

Since its inception, the ITD has undertaken a number of key projects, including:

- laying down best practice governance through the promotion of the 'Information Technology Infrastructure Library' governance model, which serves to prioritise information technology projects in order to make the best use of available resources to serve the Bank's strategic objectives; and

- establishing an Enterprise Project Management Office (the **EPMO**), whose activities are based on best practice project management methodologies. The EPMO works closely with other Bank departments and divisions to manage cross-practice projects and ensure proper controls are in place to deliver projects on time and within scope and budget.

The ITD also pioneered the role of process re-engineering (the re-engineering of certain core business processes to achieve improvements in productivity), with the Bank moving actively toward engaging the younger generation in Oman through alternative service delivery channels, such as e-banking and mobile banking, and has lead initiatives within the Bank relating to instant issuance of ATM cards, automation of loan application processes and implementing the Islamic core banking platform to assist the provision of Islamic banking solutions and investment tools to the Bank's customers.

Human Resources division

The Human Resources division (the **HR Division**) is tasked with synergising the Bank's human potential through the alignment of corporate and personal goals, the creation of a lasting performance culture and through concentrating more on best practices to enhance the levels of employee engagement. In line with the Bank's strategy, retention and motivation of its workforce remains a key area of focus for the HR Division.

The HR Division is responsible for a variety of functions including staffing, learning and development, performance and rewards, employee engagement and staff benefits and services. The HR Division is also responsible for managing the Bank's 'Omanisation' programme in line with the government's directives in this area. As at 31 December 2015, the Bank had approximately 1371 employees and has achieved a 91.9 per cent. 'Omanisation', which is in excess of the current specified requirement of the CBO of 90.0 per cent.

The HR Division has pursued a number of initiatives aimed at improving the workforce's efficiency, productivity and sense of inclusion and the identification of employees with high potential. These include the Women's Development Program, the launch of E-learning, the Graduate Development Program, the Corporate Masterclass Program and the Management Excellence Program.

The HR Division places significant emphasis on continuous vocational training of the Bank's workforce. The Bank's sophisticated learning and development centre, 'BankDhofar Academy', which was established in 2012, demonstrates the Bank's strong commitment to being an organisation which encourages continuous learning amongst its staff with strategic and development-oriented training programmes, which enable the Bank to be a leader in business and people practices in Oman.

Branch Network and Product Distribution

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

Branches

The Bank has an extensive network of 58 conventional branches and 10 Islamic branches (which exclusively serve MAISARAH customers) operating in Oman as at the date of this Base Prospectus. The Bank's branch network continues to be the principal channel through which retail and corporate customers conduct their banking business. As at the date of this Base Prospectus, the Bank had 68 branches, 127 ATMs, 49 CCDMs and 5 FFMs (compared to 68 branches, 145 ATMs, 48 CCDMs and 4 FFMs as at 31 December 2014 and 65 branches, 140 ATMs, 45 CCDMs and 3 FFMs as at 31 December 2013). As at the date of this Base Prospectus, 22 of the Bank's branches were located in the Muscat region, 14 branches were located in the Batinah and Buraimi region, 10 branches were located in the Dhakhliya and Dhahira region, 11 branches were located in the Sharqiya region and 11 branches were located in the Dhofar region of Oman.

The Bank also uses the Bank's existing retail branch network to offer services to corporate and SME customers. See "—*Strategy—Leverage and optimise distribution*".

The Bank's central operations are responsible for the bulk processing of transactions and management controls and oversight, as well as the supervision of the Bank's operational controls (see "*Key Operational Divisions*").

In accordance with the Bank's current business plan, the Bank established a 'Branches Operations Department' (the **BOD**) in 2013, with the main objective of ensuring that the branches maintain operational excellence to serve the Bank's customers efficiently without compromising the required compliance to overall internal and regulatory guidelines. The initiatives undertaken by the BOD in maintaining and monitoring ATMs, CCDMs and FFMs have resulted in an average ATM, CCDM and FFMs uptime of 97.6 per cent. throughout 2013 to 31 December 2015. The BOD has also contributed significantly by assisting the Business Continuity Management Unit in planning and conducting disaster recovery drills and testing of business continuity plans at branches. In addition, a Credit Remedial Section unit was established within BOD to follow up on collections in retail accounts with overdue payments in respect of any product with the objective of managing the Bank's 'Days Past Dues' position and prevent portfolio deterioration and the classification of accounts as bad debts.

Under the Bank's current business plan, and in accordance with its overarching strategic principle relating to achieving a lean operating model, the Bank has been continuing with its initiatives of consolidating its branches since the second half of 2015 as part of its 'branch rationalisation project' which was based on the profitability and location of such branches and their proximity to other branches within the Bank's network. The 'branch rationalisation project' did not result in any job losses and the Bank also relocated 19 ATMs to more strategic locations during the second half of 2015.

Other distribution channels

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

- *Call Centre*: the Bank's call centre operations are located in Muscat and commenced in 2004. As at the date of this Base Prospectus, the Bank employs 27 staff in the call centre. The call centre operates 24 hours a day, seven days a week, and is equipped with the latest technology to serve both retail and corporate customers. In 2013, the call centre's inter-active voice recording system was enhanced with features such as the announcement of expected waiting time and queue sizes, a call back facility and a new system for outbound dialing;
- *Direct Sales Agents*: direct sales agents target sales by offering bundled and tailor-made products and services to existing and potential retail customers. As at the date of this Base Prospectus, the Bank employs 10 direct sales agents in Oman;
- *Internet Banking*: the Bank introduced internet banking services in 2009 and it provides online banking services to its corporate and retail customers. The Bank's internet banking service (*BankDhofar Online*) includes local and international payment transfers, balance enquiries, account statements and segment-specific services. More recently, additional services were added to internet banking such as local fund transfers. The self-registration process based on the creation of User IDs and login and transaction password helped to increase the number of customers using internet banking channels in both retail and corporate customer segments. New services added to internet banking include Ooredoo top up and bill payments and AMEX payments, where customers maintaining a Bank account and holding an AMEX card can pay amounts due to the relevant service provider;
- *ATMs, CCDMs and FFMs:* As at the date of this Base Prospectus, the Bank has a network of 127 ATMs, 49 CCDMs and five FFMs across Oman which operate 24 hours a day, seven days a week; and
- *Mobile Banking*: The Bank implemented mobile banking services in 2013. During 2014, mobile banking witnessed a significant turning point with the launch of services available in both Arabic and English supporting three mobile platforms, IOS, Android and, exclusively and for the first time in Oman, Black Berry RIM 10 devices with further expansion in 2015 to include the Windows operating system hence completing the majority of the Bank's mobile platforms. Features on such devices include utility bill payments, American Express payments, mobile top ups for Omantel, Ooredoo and FRiENDi subscribers, prayer timing, ATM, CCDM, FFM and branch locators, loan payments, donations, information regarding exchange rates, self-transfers and transfer of funds within Bank accounts and to other banks within Oman. Mobile banking also allows the Bank's customers to apply for products such as savings accounts, loans, credit cards, insurance, overdrafts and standing orders. The Bank has also recently launched its 'Cardless Cash Service', which is the first in Oman and which enables customers to withdraw money from any Bank ATM through the use of mobile banking services and without having to use an ATM card.

Risk Management

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

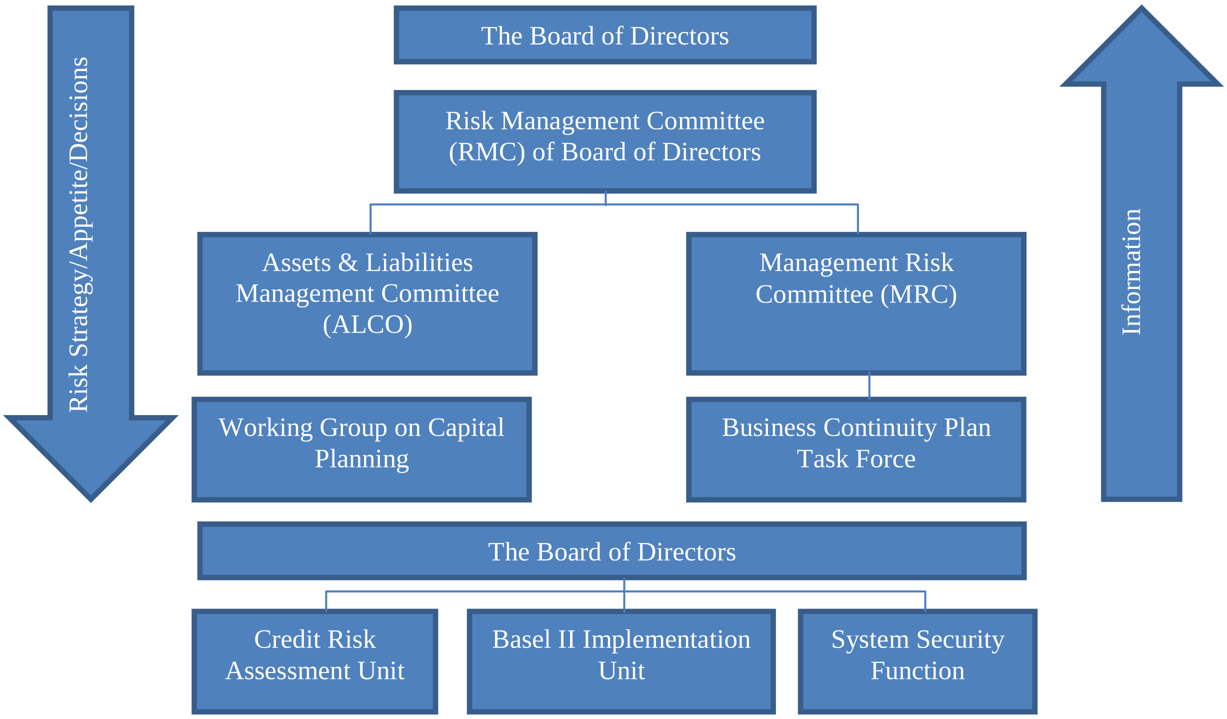
The primary objective of risk management is to safeguard the Bank from the various risks it is exposed to. The risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and compliance with relevant limits through reliance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

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

The Bank's governance structure is ultimately supervised by the Board of Directors. The Board of Directors has established a number of Board committees and management committees to co-ordinate the day-to-day risk management of the Bank (including in respect of MAISARAH), primarily the Board of Directors's Risk Management Committee (the BRMC). See "*Directors, Senior Management and Employees—Board Committees*"and "*—Management Committees*". Treasury also plays an important role in managing certain risks affecting the Bank. The Treasury's risk policy addresses primarily interest rate risk and foreign exchange risk. The Bank also has a robust investment management policy in place which addresses matters relating to equity risk.

The BRMC relies on the work carried out by the Bank's risk management division (the RMD), which is primarily responsible for assessing, monitoring and recommending strategies for the control of credit, market and operational risk and acting as an interface between Management and the Board of Directors in defining appropriate risk tolerance levels for various business lines and operating divisions of the Bank and ensuring that policies and procedures are tailored to defined risk tolerance levels. The RMD of the Bank is an independent unit reporting directly to the BRMC.

The following diagram sets out the Bank's risk management structure.



Guiding principles for risk management activities

The RMD, Board of Directors and management committees work closely together to implement the Bank's risk policy and framework across all activities of the Bank. The Bank's guiding principles for risk management are as follows:

- *Approval*: All commercial activities which commit the Bank to deliver risk sensitive products and any business proposals require approval by authorised individuals/levels prior to commitment;
- *Independence*: Clear separation between commercial (the business) and risk management functions;
- *Transparency*: Risk management structures, policies and procedures are transparent and are based on consistent and comprehensive principles, in written form, and clearly communicated;
- *One obligor*: Decision authority is determined by the total amount of facilities (single obligor total) approved for all entities that form a coherent group based on relationship, shareholdings and/or management control;
- *Committees*: Decisions regarding policy are taken by the Board of Directors on the basis of recommendations of the relevant Board committees whereas decisions regarding specific product, portfolio, or large (or high risk) exposures are taken by appropriate committees duly constituted and empowered by the Board of Directors or

any other sets of functionaries authorised by the Board of Directors to make such decisions on the basis of the nature and quantum of exposures;

- *Delegation of approval authority*: Authorities relating to the approval of customer applications are delegated by the Board of Directors to management committees on the basis of risk grades, security granted to the Bank and quantum of exposure;
- *Risk proposals and advice of the RMD:* Proposals are routed through the RMD for risk comments which enable the approval authorities to take informed decisions. The proposals are approved within the authorised framework;
- *Risk and reward*: Risk and reward from a transaction are borne by the same business unit;
- *Business responsibility*: Business units are responsible for the selection of clients and for managing all of the business activities with such clients within approved limits; and
- *Source of internal policies:* These guiding principles are dictated by the policies and guidelines from the CBO.

Corporate Governance

The Board of Directors bears the principal responsibility of developing the Bank's Corporate Governance code as appropriate to the Bank within the broad framework enunciated by the CBO and the Capital Market Authority. The Board of Directors is also charged with the responsibility of subjecting the code to periodic review to keep it relevant and up to date.

Decision-making within the Bank has been broadly divided into two levels. The Board of Directors at the highest level, as trustees of the shareholders, bears the responsibility for the strategic supervision of the Bank, in addition to fulfilling statutory obligations applicable to the Bank and the Board of Directors itself. However, some of the major responsibilities of the Board of Directors are discharged through five sub-committees, being the Board Credit Committee, Board Audit Committee, the BRMC, Board HR Committee and Board Investment Committee (see "*Directors, Senior Management and Employees—Board Committees*"). These sub-committees which operate under the Board of Directors approved charters meet regularly and contribute significantly to the effective functioning of the Bank's corporate governance code. In addition, the Board of Directors carries the responsibility of approving the strategic plans and internal policies to institute adequate controls for the achievement of the Bank's set objectives and compliance with relevant rules and regulations within Oman as well as internationally. The executive management of the Bank comprises the senior managers headed by the Chief Executive Officer. Through this two-tiered interlinked governance process, the Bank believes that it achieves the desired balance between the need for focus on business goals and executive freedom and the need for supervision, control and checks and balances of all activities and transactions in which the Bank is involved.

The Bank won the Corporate Governance Excellence Award (in the banking category) in 2013 from the Capital Market Authority.

The key risks facing the Bank are:

Credit risk

Credit Risk is managed in accordance with the regulatory requirements of the CBO as well as the internal policies and guidelines of the Bank.

The Bank's credit risk framework is based on a host of committees involving the executive management of the Bank and the Board, which are responsible for the recommendation and reporting processes in respect of various Board-approved strategies and policies, including the Bank's credit risk policy, policy on exposure to non-resident borrowers including banks, country risk policy, and the Bank's credit rating framework. The policies and procedures are periodically reviewed to ensure alignment to the current best practices. The Board exercises its authority for the approval of policies and strategies recommended by the various sub-committees in accordance with approved delegations.

The Management Credit Committee (MCC) is the management decision-making body which is empowered to consider all credit-related matters up to specified limits. The Board Credit Committee (BCC) is the final credit approving authority of the Bank and is primarily responsible for approving all credit proposals which are beyond the authority level of the executive management of the Bank. The Board Investment Committee (BIC) is the final investment approving authority of the Bank and is responsible for approving all investment proposals, which are beyond the authority level of the executive management of the Bank.

Credit risk is managed on a day-to-day basis by the RMD through a system of independent risk assessment in all corporate credit proposals prior to the consideration of the credit proposals by the appropriate approving authorities. The Bank has implemented a risk-grading system for the analysis and measuring of the risk associated with a specific credit. In addition to such risk-grading system, the RMD also undertakes facility rating, conducts regular macro analysis assessments of the credit portfolio and rating transition analysis. The credit concentration limits are monitored by the credit control department, which is independent of the RMD. Maximum counterparty and group exposures are limited to 15 per cent. of the Bank's capital base in accordance with CBO guidelines and CBO approval is obtained in respect of projects that require higher limits and are projects of national importance. To ensure diversification in terms of sovereign risk and geographical exposure, the Bank has also set limits in respect of individual countries and counterparty banks using an internally developed model which relies on the external credit rating of the relevant countries and banks as an input. Maximum exposure limits for counterparty banks and countries are approved by the Board.

All of the Bank's financial assets and liabilities are based in Oman.

The following table sets out the Bank's credit exposures categorised by industry as at 31 December 2015, 31 December 2014 and 31 December 2013.

	2015			**2014**			**2013**		
	RO '000	*US$ '000*	*%*	*RO '000*	*US$ '000*	*%*	*RO '000*	*US$ '000*	*%*
Import trade	111,741	290,236	3.95	97,163	252,371	4.14	93,333	242,423	4.71
Export trade	237	616	0.01	5	13	0.0	291	756	0.01
Wholesale and retail trade	30,861	80,158	1.09	38,084	98,919	1.62	40,242	104,525	2.03
Mining and quarrying .	27,073	70,319	0.96	44,184	114,764	1.88	37,767	98,096	1.90
Construction	453,547	1,178,044	16.04	327,648	851,034	13.99	236,889	615,296	11.95
Manufacturing	221,150	574,416	7.82	230,627	599,031	9.85	174,020	452,000	8.78
Electricity, gas and water	33,137	86,070	1.17	41,777	108,512	1.79	40,942	106,343	2.07
Transport and Communication	44,573	115,774	1.58	47,394	123,101	2.03	92,263	239,644	4.65
Financial institutions...	137,453	357,021	4.86	122,527	318,252	5.24	119,166	309,522	6.01
Services	149,593	388,553	5.29	105,518	274,073	4.50	105,147	273,109	5.30
Personal loans.............	1,362,625	3,539,286	48.18	1,048,120	2,722,390	44.75	870,226	2,260,327	43.89
Agriculture and allied activities	13,278	34,488	0.47	12,459	32,361	0.53	7,498	19,475	0.38
Government	81,523	211,748	2.88	136,723	355,125	5.84	126,931	329,691	6.40
Non-Resident lending	7,941	20,626	0.28	5,550	14,416	0.24	5,146	13,366	0.26
All Others	153,192	397,901	5.42	84,530	219,558	3.60	32,668	84,852	1.65
Total loans and advances	**2,827,924**	**7,345,257**	**100.00**	**2,342,309**	**6,083,919**	**100.00**	**1,982,529**	**5,149,426**	**100.00**

For further information on the Bank's impairment policies, see "*Financial Review*".

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. Liquidity planning and management are necessary to ensure that the Bank has the ability to fund its liquidity requirements effectively and to meet current and future potential obligations such as loan commitments, contingent liquidity commitments and unexpected deposit outflows.

The Bank manages liquidity risk based on the CBO guidelines on liquidity management and the Board-approved Treasury risk policy. A comprehensive contingency funding plan has been put in place to ensure that the Bank is always in a position to meet all maturing liabilities as well as to fund the asset growth and business operations. The contingency funding plan includes effective monitoring of the cash flows on a day-to-day basis and the holding of tradable high-quality liquid assets, which may be readily disposed of in substantial amounts. The Bank has also established adequate lines of credit with international banks to meet any unforeseen liquidity requirements.

The Bank maintains liquidity by continually assessing and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition, the Bank holds certain liquid assets as part of its liquidity risk management strategy. To limit the adverse consequences of liquidity risk, the Bank's executive management continuously looks for opportunities to diversify its funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank's liquidity risk position is monitored regularly through cash flow and stock approach in relation to conventional banking and through cash flow approach in relation to the Bank's Islamic business activities. Under the cash flow approach, the Bank generates 'maturity of assets and liabilities' reports which classify all maturing assets and liabilities into various pre-set time buckets ranging from one month to more than five years. The Bank uses negative mismatches in various time buckets to identify liquidity gaps and complies with limits set by CBO that cumulative liquidity gaps should not exceed 15 per cent. of the cumulative liabilities (outflows) in the first five time bands (i.e. up to one year). In addition, the Bank has set internal limits on mismatches or liquidity gaps in respect of time buckets beyond one year. Under the stock approach, the Bank monitors liquidity risk through the use of liquidity ratios, which indicate the level of liquidity available at the reporting date. Further, the Bank periodically conducts stress tests on liquidity using simulation techniques that project the Bank's liquidity over a given horizon at a specific confidence level.

The Bank has established a middle office within the RMD, which also monitors the liquidity position and provides data about liquidity gaps to Treasury to ensure that the liquidity gaps are addressed in a cost effective way.

Market risk

The Bank is exposed to market risk, which is the risk that the fair value of the financial assets held by the bank will fluctuate because of changes in market prices. Market risk arises from changes in the fair value of open positions held in interest rate, exchange rate and bond, equity and commodity prices. Market risk is managed based on CBO guidelines and in accordance with best market practices. The treasury risk policy addresses interest rate risk and foreign exchange risk, whereas the investment management policy addresses matters relating to equity risk.

Interest rate risk

Interest rate risk is managed primarily by Treasury. The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities are reset at different stages and thus, the Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities.

The methods for interest rate sensitivity analysis are:

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

Interest rate risk is managed by monitoring the sensitivity of the Bank's financial assets and liabilities to various standardised interest rate shocks. Standardised shocks include parallel shifts in yield curves for 50 basis point on the interest rate sensitivity of earnings and 200 basis point on interest rate sensitivity of capital. The impact of these shocks is analysed in the context of its impact on earnings and economic value and the same is compared against internal limits. The analysis is regularly reviewed at the management level Risk Committee and the BRMC.

The Bank manages its interest rate risk by matching the re-pricing of assets and liabilities and operating within the set gap limits. The middle office with the RMD regularly monitors the impact of the adverse movement in interest rates on profitability and economic value of equity in conventional banking. Details relating to re-pricing mismatches and interest rate risk are submitted to the Asset Liability Management Committee (ALCO) as well as to the BRMC.

MAISARAH is also vulnerable to rate of return risk (profit rate risk) and the treasury risk policy of MAISARAH seeks to address this risk. Rate of Return risk arises as a result of unexpected changes in the market rate of return of relevant products, which adversely affect a firm's earnings. The profit distribution to Investment Account Holders (IAHs) is based on profit sharing agreements and thus, MAISARAH should not be subject to any significant rate of return risk. However, in order to meet customers' expectations and to remain competitive with the market, MAISARAH may forego part or all of its Mudarib share of profit on funds managed on behalf of IAHs, in order to increase the return to the IAHs. This absorption of additional risk by the Mudarib is known as 'Displaced Commercial Risk'. MAISARAH seeks to mitigate this risk through prudential reserve accounts such as the Profit Equalisation Reserve and Investment Risk Reserve.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank is exposed to currency risk through transactions in foreign currencies. The major foreign currency to which the Bank is exposed is the US Dollar, which is effectively pegged to the Rial. However, in order to control exposure to currency risk, limits for intraday and overnight positions have been set up by the BRMC in addition to currency stop loss limits.

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of income. The Bank ensures that its net exposure is maintained at an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. Foreign exchange risk is computed on the average of the sum of net short positions or net long positions, whichever is the higher of the foreign currency positions held by the Bank. A limit on the Bank's net open position has been placed to restrict the Treasury department from taking undue currency exposure in accordance with guidelines set by the CBO. All such limits are monitored by the middle office of the Bank.

Equity Risk

The Bank is exposed to the volatility in the prices of the securities held in its equity portfolio. The Bank usually holds equity investments for strategic and long-term purposes rather than for trading purposes. The Bank's equity portfolio is marked to market on a regular basis and the differences in the book value and market value of equity investments are adjusted against an investment revaluation reserve in shareholder's equity and for impaired investments in the Bank's statement of income.

The Bank also conducts stress testing and sensitivity analysis to enable it to be in a position to make an informed decision on its equity risk exposure. Stress tests incorporating adverse movements in equity values and foreign exchange rates are also periodically conducted and reviewed by the Management and Board Risk Committee.

The middle office of the Bank monitors the equity portfolio through daily reporting and the assessment of the risk inherent in the quoted domestic equity portfolio through the value at risk approach. Various limits including stop loss limits, transaction deal limits and realised loss limits are implemented to manage the equity risk.

All of the investment proposals categorised under available-for-sale or held-to-maturity are reviewed by the RMD for its independent view on the risks associated with such proposals. The Board Investment Committee is the final investment approving authority of the Bank and is responsible for approving all investment proposals which are beyond the authority level of the executive management of the Bank.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank mitigates operational risks through control framework and by monitoring and responding to potential risks. Controls include the effective segregation of duties, access, authorisation and reconciliation procedures, staff training and assessment processes, including the use of internal audits.

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

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

The Bank has adopted the Basic Indicator Approach under Basel II for the purpose of measuring capital charges for operational risk. The Basic Indicator Approach requires the Bank to provide 15 per cent. of the average three years gross annual income as a capital charge for operational risk.

The Bank has been proactive in managing its compliance and corporate governance risk through an independent Compliance and Corporate Governance Division. The Board and senior management endeavour to ensure the Bank's operations and business conduct are consistent with the laws and regulations of Oman and international regulations applicable by virtue of cross border transactions. The Bank fosters a culture of compliance which is seen not only as a requirement of law but also as a good business practice.

The Bank's Compliance Division pro-actively reviews the Bank's policies, procedures, services and products to ensure compliance with applicable laws and regulations and internationally accepted best practices. In addition, the Bank has a robust risk-based regulatory and monitoring framework for ensuring ongoing compliance with regulatory requirements and best market practices.

The Bank remains committed to combating money laundering and terrorism financing by improving control measures as the regulatory environment becomes more challenging. The Bank has in place comprehensive policies, procedures, systems and monitoring mechanisms to deal with the prevention of money laundering and terrorism financing. The Bank is following international Financial Action Task Force 40+9 recommendations in addition to complying with various international regulations such as the US Patriot Act, the US Foreign Account Tax Compliance Act, the US Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 and EU Directives. The Bank also provides ongoing training to staff to ensure that they are able to effectively implement the Bank's anti-money laundering and anti-terrorism finance policies and procedures. Employees are required to undertake centralised and on-the-job training programmes, as appropriate.

The Bank has a Financial Crime or Anti Money Laundering Unit (AML Unit) which is part of the compliance framework of the Bank comprising board approved policies and procedures. The AML Unit is headed by a certified compliance and AML manager who has two direct reportees. The AML Unit is responsible for ensuring the Bank complies with all regulatory as well as international AML/KYC standards, to mitigate the risk of financial crime by implementing strong AML controls and providing regular training to the other business units and stakeholders in the Bank. All transactions above a certain threshold are monitored by the AML Unit on a daily basis. Where red flags or transactions which are out of the ordinary are observed, the AML Unit files a suspicious transaction report with the Financial Intelligence Unit after conducting enhanced due diligence. The AML Unit maintains regular interaction with the CBO as well as with the Financial Intelligence Unit and activities of the AML Unit are regularly monitored and examined by the CBO as part of their annual regulatory examinations.

Directors, Senior Management and Employees

Overview

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

The Board of Directors meets at least four times a year and is required to have a minimum of three members and a maximum of eleven members. As at the date of this Base Prospectus, the Board of Directors has eight members, all of whom are non-executive members and six of whom are "independent" in accordance with the Capital Market Authority definition. The majority of the Directors are required to attend for there to be a quorate Board of Directors meeting. A Director may appoint another Director to represent and vote for him in his absence. Decisions of the Board of Directors are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting. In the event of a split decision, the Chairman holds the casting vote.

Each Director is appointed for a three year term. Upon expiry of the term, each Director must present himself to the general meeting of shareholders for re-election. The election or re-election of Board of Directors members occurs at the Bank's annual general meeting, pursuant to Omani regulations, in a process overseen by the Capital Market Authority. The current Board of Directors members were elected or re-elected at the Bank's latest annual general meeting held in March 2016 for a term of three years.

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

Name of Director	Position	Year of Appointment	Appointment Expiration	Representing
Eng. Abdul Hafidh Salim Rajab Al Aujaili	Chairman	2016	2019	Himself
Sheikh Hamoud Mustahail Ahmed Al Mashani	Vice-Chairman	2016	2019	Himself
Sheikh Qais Mustahail Ahmed Al Mashani	Director	2016	2019	Dhofar International Development & Investment Holding Company SAOG
Mr. Ahmed Said Mohammed Al Mahrezi	Director	2016	2019	Civil Services Employees Pension Fund
Mr. Hamdan Abdul Hafidh Al Farsi	Director	2016	2019	Public Authority for Social Insurance
Mr. Mohammed Yousuf Alawi Al Ibrahim...	Director	2016	2019	Himself
Mr. Tariq Abdul Hafidh Salim Rajab Aujaili..................................	Director	2016	2019	Himself
Eng. Abdul Sattar Mohammed Abdullah Al Marshdi	Director	2016	2019	Malatan Trading and Contracting LLC
Mr. Zakariya bin Mubarak bin Ismail Al Zidjali.............................	Director	2016	2019	Ministry of Defence Pension Fund

The business address of all members of the Board of Directors is Bank Al Markazi Street, Muscat, Sultanate of Oman. No member of the Board of Directors has any actual or potential conflict of interest between their duties to the Bank and their private interests and/or duties. Five of the members of the Board of Directors hold shareholdings in the Bank (see "*Description of the Bank— Overview*").

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

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

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

Biographies of the Board of Directors

H.E. Eng. Abdul Hafidh Salim Rajab Al-Aujaili, Chairman

Eng. Al Aujaili is the Chairman of the Board Credit Committee of the Bank.

He is promoter shareholder of well-established institutions in Oman such as Bank Dhofar, Dhofar International Development & Investment Holding Co. SAOG, Dhofar Power Company and Oman Aviation Services Co. (SAOG).

Sheikh Hamoud bin Mustahail Al Mashani, Vice Chairman

Shaikh Hamoud bin Mustahail Al Mashani is a member of the Credit Committee of the Board of Directors.

He currently holds senior positions in various corporations in Oman and has undertaken leading roles. Other positions held by him include Manager of Muscat Overseas Group, Manager – Qais Omani Establishment, Chairman of Dhofar Cattle Feed Co and Director of Ports Services Corporation. Shaikh Hamoud holds a Diploma in Finance.

Sheikh Qais Mustahail Ahmed Al Mashani, Director

Sheikh Qais Mustahail Al Mashani is a member of the Board Audit Committee and member of the Board Human Resources Committee. He is also vice-chairman of Port Services Corporation SAOG and vice-chairman of Dhofar

Insurance Co. SAOG. Sheikh Qaish Al Mashani is a member of the Investment Committee of the First Mazoon Fund. He is also a board member of Dhofar International Development & Invesment Holding Co. SAOG.

Shaikh Qais holds a Bachelor's Degree from University of Yarmouk and Higher Qualification from Oxford Academy.

Mr. Ahmed Said Mohammed Al Mahrezi, Director

Mr. Ahmed Said Al Mahrezi is the Chairman of the Board Audit Committee and a member of the Board Risk Management Committee. He has over 25 years of extensive experience in the public sector in law, finance, investment and administration. He is also a member of the board for Housing Bank of Trade and Finance PLC, representing the Oman Ministry of Finance, and of Hotel Management International.

Mr. Ahmed Said Al Mahrezi holds an LLB (Law) from University of Morocco, and a Masters in International Business Law from the University of Hull, United Kingdom.

Mr. Hamdan Abdul Hafidh Al Farsi, Director

Mr. Hamdan Abdul Hafidh Al Farsi is a member of the Board of Directors. He currently holds the post of Manager of Risk Management at the Public Authority for Social Insurance (PASI). He has extensive experience expanding over 20 years in finance, internal audit and risk management. Mr. Hamdan Al Farsi holds a Bachelor's and Master's degree in Accountancy.

Mr. Mohammed Yousuf Alawi Al Ibrahim, Director

Mr. Mohammad Yousuf Al Ibrahim is a member of the Board Credit Committee and Board Investment Committee. He has extensive experience in the directorship of private and public companies. His diverse portfolio includes holding positions as shareholder, executive and managing director of various private companies and establishments. Mr. Al Ibrahim is Vice Chairman of the Board at Raysut Cement Company SAOG.

Mr. Al Ibrahim has previously held positions on the board of directors of Oman Packaging Company SAOG and on the board of trustees of Dhofar University, and as Director of Raysut Cement Company.

Mr. Al Ibrahim holds a BSc in Business Administration from Strayer University, Washington DC.

Mr. Tariq Abdul Hafidh Salim Rajab Al-Aujaili, Director

Mr. Tariq Abdul Hafidh Al-Aujaili is Chairman of the Board Human Resources Committee, a member of the Board Risk Management Committee and a member of the Board Investment Committee.

Mr. Al Aujaili held previous directorship positions as Vice-Chairman of the Dhofar International Development & Investment Holding Co. SAOG, Chairman of Financial Services SAOG, Director of Oman Investment & Finance Company, as well as a member of its Audit and Investment Committee.

Mr. Al-Aujaili holds a Bachelor's degree in Accountancy and Finance.

Eng. Abdul Sattar Mohammed Abdullah Al Marshidi, Director

Eng. Abdul Sattar Al Marshidi is the Chairman of the Investment Committee of the Board of Directors, a member of the Credit Committee and a member of the Human Resource Committee of the Board of Directors. He has a successful career with Petroleum Development Oman (PDO) over the past 25 years in the fields of well drilling, corporate appraisal and management information, corporate technology management and business support management. Presently, he holds the position of Oil Director – North at PDO.

Eng. Al Marshidi holds a Bachelor's degree in Civil Engineering.

Mr. Zakariya bin Mubarak bin Ismail Al-Zidjali, Director

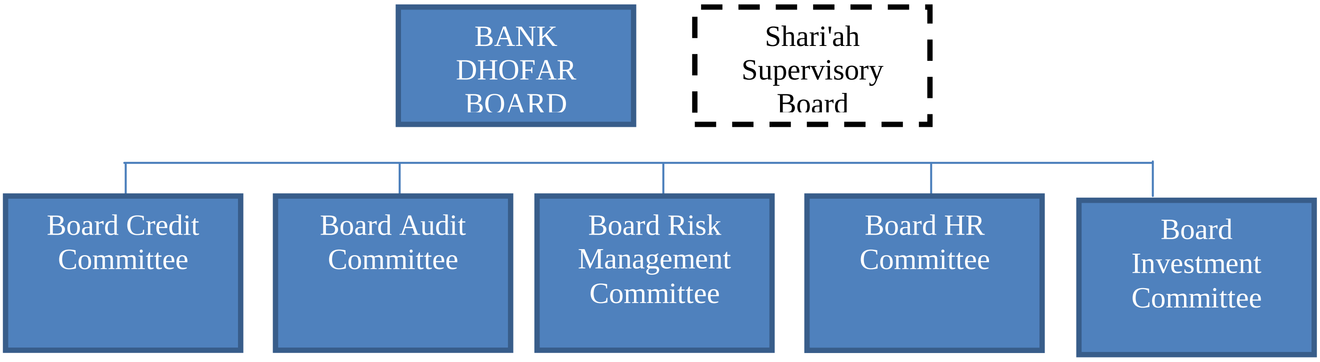
Lieutenant Colonel Zakariya bin Mubarak bin Ismail Al-Zadjali is the Chairman of the Board Risk Management Committee, a member of the Board Audit Committee, and has over 19 years of experience in the fields of financial management, material procurement, sourcing, logistics, supply chain management and vendor development.

Lieutenant Colonel Zakariya holds a Bachelor's degree in Military Sciences. In addition he has completed several courses in Finance, Budgeting and Resource Management, including courses in Advanced Management Accounting, Accounts Systems in the Public Sector and an Analysis and Resource Management Budget Course from the Finance School of the

United States Army in Fort Jackson, South Carolina, USA. He recently completed the prestigious Defence Resource Management programme at the Naval Postgraduate School with the Institute of the US Navy.

Board Committees

The Bank has the following Committees:



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

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

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 it's 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 comprises four 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. To review the risk models as development takes place in the markets and also identify new risks, the BRMC ensures that the risk policies developed 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 and 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 an overseeing and ensuring the implementation of the CBO's guidelines on risk management.

*The Board Human Resources and Compensation Committee (**BHRC**)*

The BHRC comprises three members. The BHRC was formed in March 2005, and its mandate since its establishment was to focus on the development of human resources in line with the development strategy of the Bank as a whole.

The BHRC provides critical support and focus to the human resources function by ensuring that the Bank's manpower plans follow its strategic and specific resource requirements to achieve specific goals. It 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 BHRC also reviews exit interviews and monitors any dismissals or resignations of middle and senior management, as well as the qualifications and experience of specific candidates for positions at senior management level. The BHRC also plays an important role in human resources policy-making, by closely reviewing the recruitment, compensation and reward, and training and development policies and procedures adopted by the Human Resources Department.

The BHRC meets at least four times a year.

*The Board Investment Committee (**BIC**)*

The BIC was formed in March 2013 and comprises three members. Its main role is to oversee the management practices on investment matters.

The BIC 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 in identifying adverse trends allowing the BIC to identify problems in the Bank's investment portfolio. The BIC 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. The BIC meets at least four times a year.

*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 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 in 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. The SSB is responsible to 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. In the event that Chairman is unable to attend a meeting, the other two members shall elect one of them to act as alternate chairman to preside over the meeting. Any meeting of the SSB requires a quorum of two members. Decisions of the SSB are by way of a simple majority.

The Head of the Bank's Shari'ah Department acts as Secretary of the SSB and records and retains minutes of the SSB meetings.

Biographies of SSB members

Sheikh Dr. Salim bin Ali bin Ahmed Al Dhahab (Member and Chairman)

Dr. Salim bin Ali bin Ahmed Al Dhahab is presently the Chairman of the SSB for the Maisarah Islamic Banking Services of Bank Dhofar, having joined in 2012. He has previously worked as professor and lecturer at the Royal Court for Islamic Culture in Salalah, the National University of Technology and Dhofar University, and as a lawyer with rights of audience before the primary and appellate court for ten years. He has also worked as a specialised mentor for imams, teachers and lecturers.

Dr. Salim received a Master's degree in Sharia & Law from Cairo University in 1998 and holds a PhD in Law from Cairo University, awarded in 2003.

Sheikh. Dr. Mohammed bin Ali bin Mahmoud Al Lawati (Member)

Dr. Mohammad bin Ali bin Mahmoud Al Lawati joined the Bank in 2012. He has also worked as an author and assistant professor at the Al Mustafa International University.

Dr. Mohammad holds a PhD in Tafseer and a Master's degree in Islamic Fiqh Studies from Mustafa International University in Iran.

Sheikh Ahmed bin Awadh bin Abdul-Rahman Al Hassaan (Member)

Sheikh Ahmed bin Awadh bin Abdul-Rahman Al-Hassaan joined the Bank in 2012. He is the head of the Islamic Education Department at Dhofar University. He is a member of World Federation of Muslim Scholars, board member of the Association of Sharia Scholars in the Gulf Cooperation Council, Sharia adviser to a number of Omani companies for Islamic Finance and advisor of education to the Government of the Sultanate of Oman.

Sheikh Ahmed received a Bachelor's degree in Education and Arts Islamic Studies from the United Arab Emirates University, and a Master's degree in Education from Colombia University, USA. He is currently a PhD candidate at the American International University in Cairo.

Sheikh Dr. Abdullah bin Mubarak Al Abri (Member)

Sheikh Dr. Abdullah bin Mubarak Al Abri joined the Bank in 2013. He is a lecturer in the Faculty of Law at Sultan Qaboos University and a member of the establishing committee of the Hamra Ahli Company.

Sheikh Dr. Al Abri received his Master's degree in Usool ul Fiqh from Al Al Bait University. He holds two PhDs in Islamic studies (comparative fiqh) and Islamic economics and banking from Zaytoona University and Yarmook University, respectively.

Sheikh Dr. Mohammad Ameen Ali Qattan (Non-Voting Member)

Sheikh Dr. Mohammad Ameen Ali Qattan joined the Bank in 2013. He is a member of the Sharia boards of companies, funds, and Takaful companies (Islamic insurance companies) in Syria, Dubai, Kuwait, Malaysia and the UK.

Sheikh Dr. Qattan holds a PhD in Islamic Banking from Birmingham University.

Senior Management

In addition to the Board of Directors members, the day-to-day management of the Bank's business is conducted by the Bank's senior management.

The business address of each member of the senior management is Muscat, Oman. No member of the senior management has any actual or potential conflict of interest between his duties to the Bank and his private interests and/or duties.

Biographies of the Senior Management

Abdul Hakeem Omar Al-Ojaili – Acting Chief Executive Officer

Mr. Al-Ojaili has over 24 years of banking experience. He assumed the leadership of the Bank in 2013 with experience in corporate and retail banking, operations, technology and corporate support service experience gained while navigating across the organisation from its inception and development, which has led to the Bank becoming one of the leading banks in Oman.

Prior to this role as Acting Chief Executive Officer, Mr. Al-Ojaili previously held the position of General Manager of Corporate Services, where he led the restructuring and transformation of the Bank's support functions including operations, technology, support services and human resources.

Mr. Al-Ojaili also led the retail banking and marketing division, during which the Bank achieved strong business growth and the expansion of its network.

Mr. Al-Ojaili started his career with the Bank in wholesale banking where he managed different types and sizes of corporate portfolios in business and industries for several years.

Early in his banking career, Mr. Al-Ojaili was exposed to the international banking practices through assignments to JP Morgan and Lloyds TSB.

Mr. Al-Ojaili holds a BA and MBA from Exeter University in the United Kingdom. He is also an alumnus of the Executive Education Programmes of both of the Harvard and London Business Schools.

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 Liability Management Committee (Deputy Chair), Human Resources Management Committee (Deputy Chair), Purchase Committee (Deputy Chair), Information Technology Steering Committee (Deputy Chair), Business Continuity Management Group (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, a Canadian Citizen, 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 an experienced entrepreneurial human resources professional with 23 years experience in the field during which he led major restructuring and transformations of human resources functions in the financial services (conventional and islamic banking), telecommunications and oil & gas industries across the GCC.

Mr. Al Bahantah brings a wealth of experience in human resources where he was Deputy General Manager and Chief Human Resources Officer at National Bank of Oman and Assistant General Manager – Chief Human Resources Officer at Bank Al Jazzira, Jeddah, Saudi Arabia. Mr. Al Bahantah's last post was at QSL in Doha, Qatar, where he worked in the capacity of Head of Human Resources.

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

Kamal Al Murazza – 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 in his current position as Chief Wholesale Banking Officer.

Mr. Al Murazza is a member of the Bank's Asset Liability Management Committee, the 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 Committee and the Chairman of the Disciplinary Committee.

Mr. Al Murazza has more than 15 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.

Faisal Al Wahaibi – 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 Liability Management Committee, Executive Committee, Management Credit Committee, Management Risk Committee, Purchase Committee, Disciplinary Committee, Human Resources Management Committee and is the Chairman of the Staff Recognition Panel.

Mr. Faisal has more than 21 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.

Ahmed Al Ibrahim – Chief Support Services Officer

Mr. Al Ibrahim joined the Bank in 1996 and is the Chief Support Services Officer. He sits on the Bank's Asset Liability Management Committee, Executive Committee and Investment Management Committee and is also the Chairman of the Purchase Committee. Mr. Al Ibrahim has more than 22 years of experience, which includes management, sales and marketing, government banking, quality assurance, investment banking and priority banking with organizations such as the Bank as well as the Ministry of Information.

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.

Bashir Al Subhi – Assistant General Manager (International Banking)

Mr. Al Subhi joined the Bank in 2007 as Assistant General Manager of the Treasury & International Banking divisions. He has vast experience of more than 20 years in treasury and investment services. Mr. Al Subhi oversees all the strategic aspects of the treasury and international banking divisions at the Bank and initiates new development plans to achieve continuous quality business growth and targets for the Bank. He is an active team member of several committees in the Bank, these being the Asset Liability Management 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 Departments supervising the Bank's overall treasury and liquidity activities. He is also responsible for managing international and local investment portfolios of the Bank.

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 has been a member of the Certified Finance and Treasury Professionals, Australia since 2006 (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 and the London School of Treasury Management Programme in the United Kingdom and various other training programmes worldwide at globally recognized institutions.

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 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 Committee (BCM). Mr. Al Balushi has more than 25 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.

Mohammed Al Riyami – Assistant General Manager (Internal Audit)

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

Mr. Al Riyami 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.

Ranganathan Palanthandalum 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 Liability Management Committee, Management Credit Committee, Investment Management Committee, Management Risk Committee, Human Resources 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 34 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 15 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.

He holds a Bachelor's degree in Mathematics from Madras University.

Shaleen Chugh – Assistant General Manager (Large Corporate & Syndications Wholesale 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 Liability Management Committee, Executive Committee, Management Credit Committee and Investment Management Committee.

He has more than 28 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.

Hani Macki – Assistant General Manager (Strategy & Planning)

Mr. Macki presently heads the Strategy & Planning Department in the capacity of Assistant General Manager. Mr. Macki joined the Bank in 2009. He has had experience in local and international banks in Oman and abroad. He has over 16 years of management experience in retail banking, corporate banking, marketing, sales, customer service and real estate.

Mr. Macki holds and has previously been a member of various executive committees in the Bank, which include the IT Committee, Staff Recognition Committee, Asset 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.

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

Dr. Tariq Taha joined the Bank in 2012 in the capacity of Chief Information and Technology Officer. Information and Technology comprises the EPMO, the Information Technology Division and the Information Security Department. Dr.Taha sits on the Bank's Executive Management Committee, the Management Risk Committee, the Business Continuity Management Committee and the Information 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).

Issam Mohsin Al Balushi (Head of Compliance)

Mr. Al Balushi joined the Bank in 2009, set with the responsibility of establishing the Bank's policies and procedures framework, including the internal governance of the Bank. He has headed several projects, which have resulted in the implementation of adequate procedures for the documentation of internal decisions, and has contributed to the development of the policies of the Bank's Islamic window and its procedures and product schemes.

Prior to joining the Bank, Mr. Al Balushi served as an onsite banking examiner at the CBO, where he evaluated the performance of financial institutions and recommended diagnostic solutions, and was involved in training by the Federal Reserve and the FDIC, USA.

Mr. Al Balushi earned a post-graduate degree in International Trade from Victoria University, Australia, is a Certified Internal Auditor (CIA) and also completed his International Diploma in Compliance at the International Compliance Association (ICA) in association with Manchester Business School.

Sohail Niazi – Chief Islamic Banking Officer (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 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's Degree of Science in Finance from the Illinois Institute of Technology in Chicago, 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. The newly-created Transformation division does not report to the CEO.

Mr. Al-Mansour has 24 years of experience in Consulting, Banking and Financial Services covering both conventional banking and islamic banking. He has led and managed major restructuring and transformation assignments 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.

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. Prior to joining the Bank, Mr. Al Lawati served several reputed banks in Oman in various roles. He has a Bachelor's degree in Accounting, a Diploma in Management from the Institute of Leadership Management in the UK and is an International Certified Expert in SME Finance.

Management Committees

The following are the key delegated committees of the Bank's senior management: *Management Credit Committee (**MCC**)*

The objective of the MCC is to ensure that credit facilities, falling under their delegation of authority, are examined and considered in-depth to arrive at a judicious credit decision.

The MCC meets weekly based 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 guidelines (including guidelines for MAISARAH), which include and are not limited to operational risk guidelines. The MRC reviews and recommends policies, practices and systems to evaluate the Bank's risk profile and promote a strong risk culture within the Bank.

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

The MRC meets at least four times a year.

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

The ALCO is responsible for setting the broad framework for managing the liquidity risk effectively for both the conventional banking activities of the Bank and for Maisarah. Within this framework, the responsibility of managing the liquidity risk of the Bank lies with the Treasury Department of the entities which are customers of conventional banking and Maisarah.

The Treasury Division discharges this function with the assistance of other business divisions of the Bank. The Bank has a Board-approved policy for both the entities on liquidity management which encompasses the assessment of liquidity gaps through cash flow and static approaches, reserves against deposits, lending ratio, mitigation of liquidity risk and contingency measures. The Bank has established a middle office within the RMD to ensure that the Treasury Department of both the entities operates within these guidelines.

The middle office regularly monitors the liquidity position of the Bank and assists in the management of liquidity gaps. The middle office also conducts liquidity risk stress test periodically and the Treasury Department ensures that sufficient liquid assets are available to enable the Bank to meet any business exigency.

The ALCO meets at least on a monthly basis.

*Investment Management Committee (**IMC**)*

The objective of the IMC is to attend to matters relating to the Bank's investment strategy and policy and to analyse, monitor and manage equity and debt price risk in a structured manner.

The IMC meets at least once every month.

*Human Resources Management Committee (**HRMC**)* The HRMC:

- acts as the interviewing panel responsible for selecting the most suitable candidates for vacancies in the Bank;
- reviews and recommends for approval the annual manpower plans prior to finalisation of the Bank's annual business plan;
- monitors and seeks to improve Omanization levels within different units of the Bank;
- recommends, reviews and approves permanent transfers; and
- reviews and recommends promotions.

The HRMC meets once a week.

*Disciplinary Committee (**DC**)*

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

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 taken to the management of 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 Task Force (**BCMTF**)*

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

Employees

The total number of the Bank's employees as at 31 December 2015 was approximately 1,371 employees (compared to 1,340 employees as at 31 December 2014 and 1,350 employees as at 31 December 2013). The increase in the number of employees in 2015 was in line with the Bank's plans to continue strengthening its delivery capabilities and enhancing customer experience and the decrease in 2014 was principally due to natural attrition and the productivity and efficiency gains from investment in technology. The Bank is committed to the training and development of new and existing staff in order to ensure that the Bank continues to be supported by the skills required for its planned growth. This includes the establishment and launch of various internal training programmes for all staff members. The Bank is in compliance with current Omanisation policy issued by the CBO (see "*Overview of the Sultanate of Oman*" and "*Description of the Bank*"). As at 31 December 2015, Oman nationals accounted for approximately 92 per cent. of the Bank's employees.

Property

The Bank's principal fixed assets include its Head Office in Oman. The fixed assets had a net book value of RO 8.8 million as at 31 December 2015 (compared to RO 9.7 million as at 31 December 2014 and RO 10.9 million as at 31 December 2013).

Information Technology

The Bank's Information & Technology Division (**ITD**) is responsible for the Bank's IT strategy and the delivery of all IT services throughout the Bank. The Bank's IT strategy is focused on maximising the efficiency of the information technology resources available to employees, modernising information systems solutions to provide greater accessibility to the Bank's customers whilst supporting the development of the Bank's business and operations. The ITD has realigned to serve the future growth of the Bank with the optimal utilisation of resources.

The ITD focuses on providing a convenient and efficient banking service. For its internal operations, the ITD focuses on providing effective methods and solutions and processes for promoting and delivering services to its customers.

Recent IT upgrades made by the Bank include:

- establishing best practice governance through the alignment with the 'Information Technology Infrastructure Library' (**ITIL**) governance model, introducing a Change and Demand management system that worked actively with other departments of the Bank to prioritize IT projects, and by providing training to all staff on the ITIL governance model;
- the formation of a cross-functional team to improve processes through the evaluation, analysis and adaptation of over 300 processes in a continuous improvement model;
- the development of the 'instant issuance' solution, enabling customers to open an account and receive their ATM card during the same transaction;
- the introduction of a Mobile Banking solution which enables customers to access a suite of the Bank's products and services; and
- automating loan application processes to cut down on turnaround time.

Insurance

The Bank maintains insurance policies and coverage that it deems appropriate. This includes a financial institution's blanket bond covering standard risk including electronic equipment and professional indemnity cover. The Bank maintains standard property insurance for all premises and electronic equipment.

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

Litigation

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

OVERVIEW OF THE SULTANATE OF OMAN

Introduction

Oman is the second largest country by geographical area among the states of the GCC, after Saudi Arabia. It is spread over 309,500 square kilometres (*source: Oman National Centre for Statistics and Information (**NCSI**) data published March 2016*) and has a 2,092 kilometre coastline (*source: Oxford Business Group's Report:* Oman *2015 (**OBG's 2015 Oman Report**)*). It is strategically placed at the mouth of the Arabian Gulf. It is divided into 11 main governorates (Muscat, Musandam, Al Buraimi, Al Dakhiliyah, Al Batinah North, Al Batinah South, Al Sharqiyah North, Al Sharqiyah South, Al Dhahirah, Al Wusta and Dhofar). The governorate of Musandam is an exclave of Oman, separated from the rest of Oman by the United Arab Emirates. The governorates are subdivided into a total of 61 provinces or *wilayats*. Muscat is the political and business capital. Other prominent cities are Salalah, Sohar, Sur, Nizwa and Khasab. Arabic is the national and official language, but use of English is widespread, especially in business transactions.

His Majesty Sultan Qaboos bin Said Al-Said rules the country through Sultani decrees. His Majesty the Sultan enacted the Basic Statute of the State in 1996, also called the Basic Law, which codifies some of the basic rights of both citizens and the government and effectively serves as the Constitution of Oman. The administrative system of the state comprises the Diwan of Royal Court, the Council of Ministers and the Council of Oman (*Majlis Oman*). The Council of Oman is a consultative council of two chambers. The upper chamber, the State Council (or the *Majlis al Dawla*), has advisory powers only and its members are appointed by His Majesty the Sultan. Members of the lower chamber, the Consultative council (or the *Majlis al Shura*), are elected for a term of four years. The most recent elections were held in October 2015 with the next elections planned for October 2019. Both the Majlis al Shura and the Majlis al Dawla were given greater powers in 2011 in line with His Majesty's pledge to make historic constitutional changes.

NCSI data indicated that, as at 22 March 2016, the population of Oman was approximately 4.39 million, with Omani nationals comprising 2.4 million (55 per cent.) and expatriates comprising 1.98 million (45 per cent.) of the overall figure (*source: **NCSI***). This represents an increase in population of 58 per cent. compared to the 2010 Oman census, which reported a population of 2.77 million. This growth in population is due to an increase in the expatriate population as well as an increase in birth rates. The population of Oman is relatively young. The United States Central Intelligence Agency World Factbook dated 22 June 2014 indicated that the population's median age was 24.9 years. A key target of government policy is providing adequate employment opportunities for its young national population.

Oman pursues an independent foreign policy with the aim of fostering good relations with its neighbours and other countries and has a non-confrontational and pragmatic approach to foreign relations. Oman has been a member of the United Nations since 1971. Oman became a member of the International Monetary Fund and the International Bank for Reconstruction and Development in 1971. Oman became a member of the World Trade Organisation in 2001.

In an effort to foster good relations and encourage trade, Oman entered into Free Trade Agreements ("**FTA**") with the United States in 2009 and with Singapore, as part of the GCC-Singapore FTA, in 2013.

Oman joined the Arab League in 1971 and the Organisation of the Islamic Conference in 1972. It became a member of the Non-Aligned Movement in 1973. It is a founder member of the GCC. It chaired the GCC in 1996 and 2001. While Oman is not a member of the OPEC, as the other members of the GCC are, Oman is a member of the GCC's Permanent Committee for Petroleum Cooperation.

Ratings

The most recent long-term foreign and local currency sovereign rating assigned to Oman by Moody's Deutschland GmbH (**Moody's Deutschland**) is 'A-3' and by Standard & Poor's Credit Market Services Europe (**S&P**) is 'BBB–'. In February 2016, each of Moody’s Deutschland and S&P downgraded Oman’s credit rating from A1 to A3 and from BBB+ to BBB-, respectively, due to the highly negative impact of the sharp fall in oil prices in the global market on Oman.

Each of Moody's Deutschland and S&P is established in the European Union and is registered under the CRA Regulation.

Economic Overview

Oman's real GDP grew at an average rate of 11.3 per cent. during the five-year period from 2010 to 2014. In addition to the hydrocarbon sector, which contributed 47.2 per cent. of Oman's real GDP in 2014, the principal sectors which contributed to Oman's GDP in 2014 were: services (including the wholesale, retail trade, public administration and defence sectors) (37.9 per cent.), non-petroleum industrial activities (including the mining and manufacturing sectors) (16.9 per cent.), and agriculture and fishing (1.2 per cent.) (source: *CBO Annual Report 2014*).

The average inflation rate, based on the Consumer Price Index (**CPI**) for Oman during the three-year period from 2010 to 2012, was 3.4 per cent. Inflation in Oman remained low in 2013. In 2014 the average CPI stood at 1.0 per cent. compared to 1.1 per cent. in 2013. The moderate decrease in the CPI was driven by domestic and external factors including growth in nominal GDP, decline in world food and metal prices and the stability in house rents and prices of other household materials (source: *CBO Annual Report 2014*).

Annual Indicators

The following table sets out the major macroeconomic indicators for Oman for the years indicated.

	2010	2011	2012	2013((1)	2014((2)
Real GDP (OMR millions)	22,548	26,122	29,353	30,061	31,451
GDP Growth Rate (%)	21.2	15.9	12.4	2.4	4.6
CPI Inflation Rate (%)	4.2	3.3	2.8	1.1	1.0

Notes:

(1) Provisional

(2) Preliminary

Vision 2020

Oman's current economic focus is on long-term planning. In January 2016, Oman announced its ninth five-year economic development plan and strategy for the period 2016-2020 (SD 1/2016). Since 1996, the five-year plans have been designed to achieve "Vision 2020" (adopted in June 1995), which is the Government's economic planning strategy aimed at achieving Oman's long-term target of economic diversification by reducing reliance on the hydrocarbon sector, developing labour and by diversifying the economy in the services, industrial and financial sectors (source: OBG's 2016 Oman Report). Vision 2020 aims to shift crude oil contribution to below 10 per cent. of GDP, and increase natural gas and industrial sector contribution to above 10 per cent. and 20 per cent. respectively. The 9th five year plan aims to cut the crude oil contribution to GDP from 44 per cent. under the 8th five year plan to 26 per cent (source: https://home.kpmg.com/content/dam/kpmg/pdf/2016/01/tnf-oman-jan22-2016.pdf) .

As part of its plans to achieve Vision 2020, the Government has launched and sponsored a series of infrastructure projects such as a national railway project and a number of light manufacturing plants. There has also been increased spending by the Government in the tourism sector in a bid to meet its diversification goals.

Impact of oil price decline

Omani crude oil prices averaged U.S.$56.5 per barrel in 2015, approximately 25 per cent. lower than the U.S.$75 per barrel oil price assumed in the budget for 2015 and approximately 26 per cent. higher than the budget assumptions in 2016. The average price of Omani crude oil was U.S.$98.7 per barrel between 2010 and 2013 (inclusive), U.S.$105.5 per barrel during 2013 and U.S.$103.2 per barrel during 2014. The fiscal deficit during 2014 was about RO one billion as against a deficit of RO 82.6 million in 2013. The 2016 budget estimates a deficit of RO 3.3 billion in 2016 (sources: CBO Annual Report 2014 and Quarterly December 2015 Statistical Bulletin).

Against the backdrop of lower oil prices, the Government set up the Special Committee of the Shura Council (the Special Committee) for studying the effects of lower oil prices on the General Budget of Oman (the General Budget) and ways to resolve it. The Special Committee is carrying out a study on steps the Government is taking to confront the slump in oil prices on world markets, its consequences on the General Budget and options the Government can take into account should oil prices fall below U.S.$20 per barrel.

Other measures taken by the Government include planned decreases in non-essential contract expenditure, whilst planned privatisation of certain Government activities may result in increased business opportunities in numerous sectors including education and training, healthcare and public transportation and may give the Government opportunities to raise funds from such privatisations. A proposed increase of the corporate income tax rate from 12 per cent. to 15 per cent., as well as the removal of the tax exemption for the first RO 30,000 of a taxpayer’s taxable earnings, has been approved by the Shura Council and will also result in increased revenue. These changes are expected to be implemented in the near future. Government subsidy spending will be reduced by 64 per cent. in 2016, and includes the deregulation of petrol prices from 15 January 2016.

The Government has already obtained a U.S.$1 billion sovereign loan from international banks in 2016 and may issue a dollar-denominated bond in the international markets by the third quarter of 2016.

OMAN BANKING SYSTEM AND PRUDENTIAL REGULATIONS

Overview

The Oman banking system comprises commercial banks, specialised banks (such as Oman Housing Bank, as highlighted below), Islamic banks and windows, non- bank finance and leasing companies and money exchange establishments. As at 31 December 2015, the number of 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, the Bank, bank muscat SAOG, HSBC Bank Oman SAOG, Oman Arab Bank SAOC, National Bank of Oman SAOG, Bank Sohar SAOG and Ahli Bank SAOG (source: CBO Quarterly Report December 2015). The largest bank by a significant margin is bank muscat SAOG, which had approximately RO 12.5 billion (U.S.$32.6 billion) in assets as at 31 December 2015 (source: bank muscat SAOG audited financial report: December 2015).

The Oman banking system is fairly concentrated with the three largest local banks (bank muscat SAOG, the Bank and National Bank of Oman SAOG) accounting for approximately two thirds of total credit in the banking system (source: CBO Annual Report 2014).

As at 31 December 2015 commercial banks in Oman had total assets of RO 30.4 billion compared to RO 26.2 billion as of 31 December 2014. Total deposits held with commercial banks as at 31 December 2015 stood at RO 19.4 billion, compared to RO 17.9 billion as at 31 December 2014. Total credit as at 31 December 2015 was RO 20.1 billion compared to RO 17.9 billion as at 31 December 2014 (source: CBO Quarterly Report December 2015).

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. As at 31 December 2014, Oman Housing Bank and Oman Development Bank operated with a network of 23 branches (source: CBO Annual Report 2014).

Also prominent in the sector is a group of six non-bank financial services providers, commonly referred to as leasing companies. Leasing companies are regulated by the CBO and engage in leasing, hire purchase, debt factoring and similar asset based financing in Oman. The core business of leasing companies in Oman is financing the purchase of vehicles and other assets, primarily by small and medium sized enterprises as well as retail and corporate customers (source: Oxford Business Group 2016 Oman Report). As at 31 December 2014, leasing companies in Oman operated with a network of 38 branches (source: CBO Annual Report 2014).

Islamic Banking

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

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 the amendment of the Banking Law, the Islamic Banking Regulatory Framework (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 the 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. As at 31 December 2015, there were two locally incorporated Islamic banks, namely, Bank Nizwa SAOG and Al Izz Islamic Bank SAOG. Bank Nizwa SAOG commenced operations in December 2012 and Al Izz Islamic Bank SAOG commenced operations towards the end of 2013. A number of conventional banks, including the Bank, bank muscat SAOG, Bank Sohar SAOG and National Bank of Oman SAOG have established windows for Islamic banking.

As at 31 December 2015, Islamic banks and windows in Oman had provided financing to the value of RO 1.6 billion compared to RO 1.0 billion as at 31 December 2014 and had total deposits of RO 1.5 billion compared to RO 0.5 billion as at 31 December 2014 whilst capital and total assets stood at RO 2.2 billion compared to RO 1.4 billion as at 31 December 2014, which constituted approximately 7.1 per cent. (compared to 6.3 per cent. as at 31 December 2014) of the banking system's assets (source: CBO Quarterly Report December 2015 and CBO Annual Report 2014).

International banks

The Oman Foreign Capital Investment Law (promulgated by Sultani Decree No. 102/1994, (as amended) mandates that foreign companies can take no more than a 70 per cent. 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 per cent. foreign ownership in companies incorporated in Oman. There is no indication of when the new law will be issued. Local operation through 100 per cent. foreign branches is currently 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, National Bank of Abu Dhabi, Bank Beirut and Qatar National Bank (source: CBO Annual Report 2014).

Recent Developments and Trends

In 2012 a merger between HSBC Middle East and Oman International Bank SAOG took place, creating HSBC Oman SAOG. The Bank and Bank Sohar announced in July 2013 that they are pursuing a merger of their businesses (source: Muscat Stock Exchange). For further details, see "*Description of the Bank—Recent Developments—Potential merger with Bank Sohar S.A.O.G.*".

Oman Arab Bank, the only one of Oman's commercial banks which is not publicly listed, has announced plans for a listing and is expected to do so when market conditions are favourable (source: Oxford Business Group 2014 Oman Report).

Bank Regulation in Oman

The Central Bank of Oman

The CBO was established in 1974.

The CBO acts as the depository agency for the Government and is responsible for regulating and supervising Oman's commercial banks, specialised banks and finance and leasing companies. Money exchange companies are also regulated by the CBO. Amongst its other responsibilities, the CBO is responsible for making advance payments to the Government in respect of temporary deficiencies in current revenues and further manages loans on behalf of the Government. Additionally, the CBO is responsible for accepting deposits from banks operating in Oman and other foreign central banks. In particular, the CBO accepts two types of deposits from commercial banks, namely those deposits required by the Banking Law and voluntary deposits deposited by commercial banks (source: CBO website data obtained on 31 December 2014). The CBO is also responsible for advancing credit to local banks and engaging in investment activities through trading in investment products. In addition to the above mentioned functions, the CBO acts as a clearing house for all banks operating in Oman and is responsible for issuing the national currency and supervising its circulation and value.

Omani banks are subject to the Banking Law, promulgated by Sultani Decree 114/2000 (as amended) and banking regulations issued by the CBO. Banks are also required to comply with (amongst other laws of general application) the Commercial Companies Law promulgated by Sultani Decree 4/1974 (as amended), the Law of Commerce promulgated by Sultani Decree 55/1990 (as amended), the Oman Labour Law promulgated by Sultani Decree 35/2003 (as amended), the Capital Markets Law promulgated by Sultani Decree 80/98 (as amended) and the Social Insurance Law promulgated by Sultani Decree 72/1991, (as amended).

Banking Laws and Regulations

Several regulatory and supervisory initiatives have been implemented by the CBO to develop a competitive and sound banking system. Bringing about greater financial inclusion, developing sound risk management systems, and broadening of prudential norms have been the core of the recent regulatory and supervisory directives issued by the CBO. Below is a summary of the main Omani banking laws and regulations:

Capital Requirements

Pursuant to CBO Circular BM 1019 issued on 9 April 2007, a minimum paid up capital requirement of RO 100 million is required to establish a new local commercial bank and a minimum paid up capital requirement of RO 20 million is required to establish a foreign bank in Oman. Existing banks (such as the Bank) are required to meet this requirement progressively.

Capital Adequacy and Liquidity

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

The guidelines issued by the CBO require banks operating in Oman to have a robust capital adequacy framework which comprises of a Total Capital Adequacy ratio of 12 per cent. of risk weighted assets. Of this, Common Equity Tier 1 capital should be maintained at a level of a minimum of 7 per cent. and Tier 1 capital at a minimum of 9 per cent. of risk weighted assets, with effect from 31 December 2013. In addition to the minimum Total Capital Adequacy ratio, commencing on 1 January 2014, a Capital Conservation Buffer of 2.5 per cent. of risk weighted assets, comprised of Common Equity Tier 1 has to be achieved over four years in four equal instalments of 0.625 per cent. with two deferments for 2015 and 2016. Banks in Oman must fully comply with the Capital Conservation Buffer requirement by 1 January 2019. Instruments issued in excess of the Basel III limits for recognition will be phased out by 31 December 2022.

Net Stable Funding ratio (NSFR) together with Liquidity Coverage ratio are the key reforms proposed by the Basel Committee to promote a more resilient banking sector. The NSFR will require the banks to maintain a stable funding profile in relation to the composition of their assets and off balance sheet activities. The NSFR limits overreliance on short term wholesale funding and encourages better assessment of funding risk across all on and off balance sheet items, and promotes funding stability. The NSFR as of 31 December 2015 for the Bank is 96.70 per cent.

The CBO introduced a Prompt Corrective Action framework (the PCA) in 2005, which makes it mandatory for banks to take corrective actions if their total capital adequacy ratio falls below a certain level. The corrective actions consist of certain mandatory and discretionary actions that apply to each relevant trigger point set by the CBO. Currently, the PCA will be triggered if the total capital adequacy ratio of a bank falls below 13 per cent.

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 implemented, will lie between 0% and 2.5% of total risk weighted assets. In case a bank is operating in multiple jurisdictions with different levels of CCB, the bank will be required to maintain the consolidated level of CCB.

Instruments issued in excess of the Basel III limits for recognition will be phased out by 31 December 2022. The Basel Committee on Banking Supervision has developed the Liquidity Coverage Ratio (LCR) to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient high quality liquid assets to survive a significant stress scenario lasting thirty calendar days. Effective 1 January 2016, the standard LCR has been set at a minimum of 70 per cent.; the ratio will increase by 10 per cent. each year until it reaches 100 per cent. by 2019.

Framework for Domestic Systemically Important Banks (D-SIBs)

In January 2015, the CBO issued a framework for D-SIBs which sets out a list of recommendations and requirements for banks identified as systemically important in Oman. The framework is based on the recommendations of the Basel Committee on Banking Supervision and requires banks identified as systemically important to comply with certain exclusive requirements to prevent their failure. For example, D-SIBs will be subject to an enhanced capital surcharge (comprised of common equity tier 1 capital) of 1 to 2.5 per cent. (with a potential "un-populated" bucket of 3.5 per cent., similar to the calibration under the Basel III framework) of risk-weighted assets in increments of 0.5 per cent., based on their relative systemic importance. Further, D-SIBs in Oman are required to conduct rigorous stress testing exercises, implement a well-defined crisis management system and build a robust recovery and resolution mechanism (which may include creation of a "resolution fund", provisions for inherent bail-in mechanisms, enabling asset sales and taking other measures to ensure depositors are protected). Further, D-SIBs are required to submit a vision statement to the CBO outlining their medium and long term projections and the strategies they have implemented to address systemic risk. As part of the framework, the CBO has also set out measures relating to the enhancement of its supervisory regime and how it will work with D-SIBs more effectively to monitor and assess their ongoing operational and financial performance. While based on back-tested data between 2010 to 2013 five banks could potentially be designated as D-SIBs, the CBO has, at the date of this Prospectus, designated only one bank as a D-SIB and not identified the Bank as a D-SIB. The CBO's decision to designate a bank as a D-SIB is, however, subject to ongoing regulatory review and the Bank could become subject to such designation by the CBO in the future.

Lending Ratio

Pursuant to CBO Circular BM 1051 issued on 23 December 2008, no licensed bank in Oman is permitted to lend (whether by loans, discounts, advances or overdrafts whether secured on unsecured) when such lending in aggregate exceeds 87.5 per cent. of the bank's deposits. Deposits of the bank are determined as the sum of a bank's total demand deposits, saving deposits, time deposits, margin accounts, net amounts due to head office or the bank's own branches abroad, net amount due to other banks abroad and capital funds.

Reserves against Deposits

Pursuant to Article 62 of the Banking Law all banks operating in Oman are required to maintain a deposit with the CBO, in an amount, which when added to the aggregate amount of currency and coin, foreign and domestic, held by such bank shall be: i) not more than 40 per cent. of the total daily amount of all demand and saving deposits made with such bank within Oman; and ii) not more than 30 per cent. of the total daily amount of all time deposits with such bank within Oman. Pursuant to CBO Circular BM 1050 issued on 23 December 2008, the percentage of the total amount of reserves against time, savings and demand deposits is currently 5 per cent.

Lending Limits

Diversification of risks is a key precept in banking. Past experiences indicate that substantial loan losses were triggered by credit concentration to connected counterparties or related parties. Besides individual exposures, credit concentrations also involve excessive exposure to sectors, industries and countries leading to risk implications in the loan books of banks (CBO Circular BM 1024 issued on 22 September 2007). To maintain financial stability, the CBO has issued a number of limits and rules with the objective of limiting potential losses arising out of excessive concentration of credit risk:

Loans to a single borrower: pursuant to Article 68(b) of the Banking Law the total direct or contingent obligation to any licensed bank by any borrower, other than the Government of the Sultanate of Oman, shall not exceed 15 per cent. of the total net worth of such licensed bank. Article 5 of the Banking Law defines net worth as the aggregate amount of the assets less liabilities, other than capital and surplus of a licensed bank and shall include the aggregate of assets and liabilities both within and outside Oman.

Lending to non-residents: the credit exposure to non-residents and placement of bank funds abroad has been re-examined by the CBO due to the risks associated with such exposures. Accordingly, the CBO has reviewed some of the existing regulatory norms with regard to cross border exposures of banks and certain modifications have been made with regards to the limits placed on the aggregate credit exposures to non-residents and their related parties. In particular, pursuant to a CBO Circular BM 1120 issued on 31 March 2014, a bank operating in Oman must not lend:

* more than 2.5 per cent. of its local net worth to a non-resident borrower and its related parties. Local net worth of a licensed bank is the total regulatory capital reduced by exceptional investments under Article 65(e) of the Banking Law and reduced by the assigned capital for overseas subsidiaries, associates or affiliates mandated for deduction from capital as per specific CBO directions (source: CBO Circular BM 988 issued on 31 May 2005);
* more than 20 per cent. of its local net worth in aggregate to all non-resident borrowers (other than banks) and their related parties; and
* more than 30 per cent. of its local net worth in aggregate to all non-resident borrowers (including banks) and their related parties. Further, any single credit exposure of U.S.$5 million or above to a non-resident borrower other than a non-resident bank shall only be undertaken through syndication.

CBO Circular BM 1120 has recently been amended by a further letter circulated to banks, dated 31 March 2016, in light of what the CBO has referred to as "continuing macroeconomic challenges". These amendments relate to the downward revision of certain limits under BM 1120, including the aggregate credit (funded and non-funded) exposure to all non-resident borrowers and related parties (both banks and otherwise) to be revised from 100 per cent. of local net worth of a bank to 50 per cent. of local net worth of a bank.

Banks were also instructed in 2014 to take effective measures in regards to the Foreign Accounts Tax Compliance Act (FATCA) to identify their target customers and obtain their consent for making the necessary disclosures.

Loans to SMEs: In an effort to develop the SME sector in Oman, the Government and the CBO took measures towards encouraging prospective entrepreneurs, recognising key areas for SME finance and supporting public-private cooperation. The CBO directive to banks is to implement a liberal lending policy for SMEs and to achieve a minimum of 5 per cent. of their total credit allocation to SMEs by 31 December 2015 (source: CBO Circular BM 1108 issued on 6 May 2013 and Circular BM 1123 issued on 14 September 2014 and Circular BM 1141 issued on 12 January 2016).

On 12 January 2016, the CBO issued Circular (BM 1141) revising the defining characteristics of an SME as:

* micro enterprises, being those which have between 1 and 5 employees and an annual turnover of less than RO 100,000;
* small enterprises, being those which have between 6 and 25 employees and an annual turnover of between RO 100,000 and 500,000; and
* medium enterprises, being those which have between 26 and 99 employees and an annual turnover of between RO 500,000 and 3,000,000.

Loans to directors and senior management: pursuant to Article 68(b) of the Banking Law the total direct or contingent obligation to any licensed bank by a senior member in the management of the licensed bank and any related parties shall not exceed 10 per cent. of the amount of net worth of such bank. The aggregate of lending to all senior members and any related parties shall not exceed 35 per cent. of the amount of the net worth of the licensed bank.

In addition to imposing a limit on the aggregate lending to directors and senior management, the CBO requires banks to remove members of senior management who have doubtful or classified loans with the bank (CBO Circular BM 985 issued on 15 February 2005).

Loans secured by real estate: in accordance with Article 68(e) of the Banking Law a bank operating in Oman is not permitted to make any loan secured by real estate when either the total value of real estate held by the bank, or the aggregate of the outstanding of loans against which such securities are held, whichever is lower, other than the real estate held by the bank in the bank's capacity as a trustee, executer, administrator, receiver or assignee pursuant to Article 66(a) of the Banking Law, exceeds or by the making of such loan will exceed, 60 per cent. of the net worth of such licensed bank within Oman or 60 per cent. of all time and saving deposits other than Government and inter-bank deposits of such licensed banks, whichever is greater.

Ceiling on Personal loans and Mortgages: pursuant to CBO Circular BM 1109 issued on 23 May 2013 and in light of the rise in personal loan indebtedness, the ceiling imposed on the aggregate of personal loans banks may advance was reduced from 40 per cent. to 35 per cent. of total credit whilst housing loans continued to have a ceiling of 15 per cent. of total credit effective from 30 June 2014.

Bank Credit & Statistics Bureau

Pursuant to CBO Regulation BM/53/9/2011 issued on 3 December 2011 the board of governors of the CBO adopted a Bank Credit and Statistics Bureau (BCSB). The BCSB is a centralised statistical bureau maintained by the CBO. Amongst other things, the primary function of the BCSB is to collect and synthesise financial information on current and prospective borrowers, guarantors and account holders as well as connected counter parties of licensed banks. The BCSB is responsible for providing reports to licensed banks with the objective of facilitating the smooth functioning of the credit market. Banks and finance companies operating in Oman must report credit and financial information of any current or prospective borrower or guarantor and its related parties on a monthly basis.

Loan Loss Provisioning

The CBO has directed banks to have appropriate systems to classify loans on the basis of well-defined credit weaknesses and to have robust provisioning in place. Pursuant to CBO Circular BM 977 issued on 25 September 2004 non-performing loans should be classified as either standard, special mention, substandard, doubtful or loss depending on the number of days the credit has been due.

The CBO circular provides that any proposed settlement for less than full value of delinquent debt of directors or management requires the prior approval of the CBO. Loans in arrears for more than 90 days are classified as non-performing. Of these, banks have to provide 25 per cent., 50 per cent., and 100 per cent. against loans classified as sub-standard, doubtful and losses, respectively. In addition to specific provisions for classified loans, banks are required to create general loan loss provisions, at a minimum of 1 per cent. of their loans which are categorised as "Standard" and "Special Mention". Pursuant to the CBO's new requirements, a specific provision of 10 per cent. should be provided on all restructured standard loans as at 31 December 2015, which is subsequently to be increased to 15 per cent. with effect from 1 January 2016.

Further, a minimum general loss provision of 2 per cent. of personal loans categorised as "Standard" and "Special Mention" must be maintained by all banks operating in Oman.

Bank Deposit Insurance Scheme

Pursuant to Sultani Decree No 9/1995 (as amended) a Bank Deposit Insurance Scheme was established by the CBO. The objectives of establishing the Bank Deposit Insurance Scheme are to provide a comprehensive deposit insurance cover, sustain public confidence in the financial soundness of the banking system and to assist banks in financial difficulty. Deposits placed by a natural or juristic person with any bank operating in Oman are protected by the Deposit Insurance Scheme up to an amount of RO 20,000. The deposits covered by the scheme include saving deposits, current deposits, temporary deposits, time deposits, government deposits and any other deposits of the same nature. The deposits of MAISARAH are not covered under the Bank Deposit Insurance Scheme as the regulators are evaluating options for a sharia-compliant coverage scheme for Islamic Banking establishments.

Banks in Oman are required to register with the Bank Deposit Insurance Scheme and to pay an annual insurance premium of 0.05 per cent. of annual average deposits of conventional bank deposits to the CBO to support this system.

Loan and Interest Rate Ceilings

As a result of the rising level of individual loan indebtedness the CBO imposed an aggregate quantitative ceiling on personal loans and housing loans. A debt service ratio has been capped at 50 per cent. of net salary receipts on personal loans and 60 per cent. on housing loans. Further, banks in Oman are only permitted to advance personal loans (other than housing loans) after 24 months of satisfactory conduct of an existing loan or after 50 per cent. of an existing loan is repaid (CBO Circular BM 1094 issued on 23 May 2012).

In light of the global decline in interest rate trends, the CBO decided to reduce the interest rate ceiling on personal loans and housing loans from 7 per cent. to 6 per cent., effective from October 2013. The CBO requires banks in Oman to treat the 6 per cent. ceiling as the maximum and not an entitlement. Banks in Oman are encouraged to offer competitive rates consistent with international market forces and to ensure the flow of credit to all sectors including agriculture, industry as well as to small to medium enterprises (CBO Circular BM 1112 issued on 2 October 2013).

A CBO circular that requires banks in Oman to cap the insurance fee chargeable on unsecured personal loans by 0.05 per cent. of the loan amount, with a maximum of RO 75.00 on personal and housing loan insurance was issued in March 2015.

Maturity Mismatch Ceiling

Pursuant to CBO Circular BM 955 issued on 7 May 2003, cumulative gaps in Rials, US Dollars and other currencies may not exceed 15 per cent. of a bank's cumulative liabilities in each of the five designated time bands (up to one month, 1-3 months, 3-6 months, 6-9 months and 9-12 months). Banks may fix their own limits on mismatches for time bands greater than one year.

Investment Criteria

Article 65 of the Banking Law sets out the general credit and investment powers of banks as follows. A domestic bank may:

- purchase, sell, accept or negotiate: items and bonds, notes, debentures, treasury bills, bonds issued by the Government, written securities guaranteed by the government and tangible and intangible property. In accordance with CBO Circular BM 938 issued on 13 May 2002 the total aggregate value of a bank's investment in the Government development bonds must not exceed 30 per cent. of the bank's net worth;
- receive upon deposit or for safekeeping, money, securities, papers of any kind or any other personal property;
- open accounts with the CBO, and utilise the CBO as a clearing house;
- open accounts with other local or overseas banks;
- purchase, hold and sell for its own account bonds, notes, debentures and other evidences of an obligation for the payment of money provided that such obligations are not in default at the time of acquisition by the bank and that the aggregate value of such investments does not exceed 10 per cent. of the net worth of the licensed bank and that any investment in a particular security does not exceed 5 per cent. of the net worth of the bank. Investments in companies domiciled outside Oman should not exceed 25 per cent. of the 10 per cent. ceiling mentioned above;
- purchase, hold and sell for its own account securities issued or guaranteed by the Government or any foreign government provided that such securities are publicly traded and have a maturity period of not more than 90

days. Investment in shares and securities if the corporation is formed by the Government should not exceed 5 per cent. of the net worth of the bank;

- purchase, hold and sell for its own account shares and securities of corporations domiciled in or outside Oman provided that such investment if made in related companies or other licensed banks has been approved by the CBO, and that any such investment in a particular security does not exceed 5 per cent. of the shares of such corporation and that all such investments by the bank do not exceed 20 per cent. of the net worth of the licensed bank. Further, investment in companies domiciled outside Oman should not exceed 25 per cent. of the 20 per cent. ceiling mentioned above; or
- purchase, hold and sell for its own account, foreign currency or other monetary assets in the form of cash, bullion, gold and any other metal utilised as a monetary asset.

Banks operating in Oman are required to strictly adhere to the investment limitations provided for in Article 65 of the Banking Law. The CBO expects banks to be reasonably conservative in investment decisions and to appropriately balance any risks associated with such investments. In addition, the CBO directs banks to implement a comprehensive investment policy approved by the bank's board of directors and to submit such policy to the CBO (CBO Circular BM 958 issued on 5 August 2003).

Foreign Exchange Trading

Pursuant to CBO Circular BM 341 issued on 10 March 1982, banks are permitted to take total foreign exchange positions, defined as the aggregate of all overbought and oversold position, of up to 40 per cent. of the bank's capital and reserves with Oman. The limit applies to all foreign currencies without exception. Banks in Oman are required to submit data to the CBO which shows their foreign exchange positions on a monthly basis. Specialised banks and leasing companies are not permitted to take positions in foreign exchange.

Future Transactions in Foreign Exchange and Commodity Hedging Products

Banks in Oman are not permitted to offer any complex derivative products such as Target Redemption Forwards, Range Accruals or any other similar structures which ultimately increase the risks undertaken by the bank's customer. Derivative products can only be offered for hedging purposes and banks are required to ensure that derivative transactions are not used for speculative purposes. Further, in taking hedging products banks are required to assess the overall hedging undertaken by the customer and to ensure that the total notional amount of derivative transactions is within the notional amount of the underlying exposure (CBO Circular BDD/CBS/CB/2011/1568 issued on 28 February 2011).

Exchange Control and Foreign Exchange Rates

The CBO is responsible for Omani exchange rate and monetary policy. Since 1986 a stable exchange rate has been maintained between the Omani Rial and the U.S. Dollar through the Omani Rial being pegged to the US Dollar (RO 1= USD 2.60) (source: CBO Annual Report 2014). There are no exchange controls (other than in relation to the Israeli currency) and capital may move freely to and from Oman.

Other Banking Law Requirements

The Banking Law imposes, among other things, the following requirements:

Regular reports: Pursuant to Article 72 of the Banking Law, each licensed bank must submit to the CBO an annual report, audited by independent auditors, and certain interim reports and monthly reports as prescribed from time to time by the regulations of the CBO. These reports must be accurate and must include, but not be limited to, information reflecting the financial condition both within and outside Oman of that bank, showing in detail the assets and liabilities of the bank, the amount of domestic and foreign currency held by such bank and the amount, nature and maturities of all items and instruments, securities and other investments owned or held by such bank, to the extent that such information is related to the conduct of banking business, both within and outside Oman. In addition, licensed foreign banks must file copies of reports prepared within Oman for submission to banking authorities which have jurisdiction over the licensed foreign bank and which reflect the aggregate financial condition of all operations of the licensed bank.

Real and Personal Property and Secured Transactions: Pursuant to Article 66 of the Banking law, a bank operating in Oman may purchase, acquire or hold, lease or otherwise convey real and personal property which has been conveyed to it in satisfaction of debts previously contracted in the normal course of banking business, which it has acquired at sales under judgment decrees or as the result of foreclosure sales and mortgages. However, all real property acquired by the bank or which has been transferred to it in these ways must be sold or otherwise disposed of by the bank within 12 months of the date of acquisition.

Omanisation of Personnel in Banking Sector

With the objective of raising job opportunities for Omanis, the CBO requires all banks operating in Oman to achieve an Omanisation ratio of at least 90 per cent. By December 2015 all banks operating in Oman were required to have achieved an Omanisation ratio of 65 per cent. in relation to their Senior Management. This ratio is increased to 75 per cent. by December 2016. As regards to Middle Management, a ratio of 90 per cent. must be achieved by all banks by December 2016. Foreign banks may be exempt from achieving the Omanisation quota in relation to their chief executive officer and/ or country managers. All banks operating in Oman are required to provide adequate training to Omani employees (CBO Circular BM 1105 issued on 31 March 2013). See "*Description of the Bank—Directors, Senior Management and Employees—Employees*".

TAXATION

The following summary of certain Oman, United States and European Union tax consequences relating to the Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Base Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and/or have retrospective effect, and could affect the tax consequences for holders of the Notes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of acquiring, holding and disposing of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Base Prospectus, and of any actual changes in applicable tax laws after such date.

General

The following is a general description of certain tax considerations relating to Notes issued under the Programme. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Oman

Payment of all amounts payable by the Issuer to the holders of any Notes in respect of the Notes may be made free and clear of withholding or other taxes imposed by Oman or by any authority thereof or therein having power to tax.

Proposed changes to tax law

On 12 January 2016, the State Council of Oman approved certain changes to the Oman Income Tax Law (promulgated by Royal Decree 28/2009) (the **Proposed Tax Amendments**). Whilst the text of the Proposed Tax Amendments has not been released publicly for review or detailed comment, it is understood that such proposed amendments have been submitted for enactment by way of promulgation of a formal Sultani Decree. The Proposed Tax Amendments do not therefore have the force of law at the date of this Base Prospectus and are expected to come into force in due course only after promulgation of a formal Sultani Decree and its publication in the Official Gazette.

One of the measures forming part of the Proposed Tax Amendments relates to the increase of the corporate tax rate from 12 per cent. to 15 per cent. for all Oman-incorporated companies, which would include the Bank. It is anticipated that this increase in the rate of corporate tax will take effect from the current financial year ending 31 December 2016. As far as the Bank is aware, the Proposed Tax Amendments have no impact on the position regarding the applicability of withholding tax to payments under the Notes.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a **Recalcitrant Holder**). The Issuer is classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal income tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional

Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

The Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement dated 15 April 2016 (the **Programme Agreement**), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to certain persons in an offshore transaction in reliance on Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;

(c) at any time if the denomination per Note being offered amounts to at least €100,000 (or equivalent); or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision: (i) the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and (ii) the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy and sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Winding Up and Miscellaneous Provisions) (Cap. 32) of Hong Kong (the **Companies Ordinance**) or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

The PRC

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the PRC (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) as part of the initial distribution of the Notes.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules of the Dubai Financial Services Authority (the **DFSA**); and

(b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.2 of the Conduct of Business Module of the DFSA rulebook.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires Notes pursuant to any offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the **KSA Regulations**) through a person authorised by the Capital Market Authority (**CMA**) to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of the Notes will comply with the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 10 or Article 11 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Notes are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (including the Qatar Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes in the State of Qatar including the Qatar Financial Centre, except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Sultanate of Oman

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) this Base Prospectus has not been filed with or registered as a prospectus with the Capital Market Authority of the Sultanate of Oman pursuant to Article 3 of the Capital Market Authority Law SD 80/98 (**Article 3**), and will not be offered or sold as an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (SD 4/74, as amended) or Article 3; and

(b) the Notes have not been and will not be offered, sold or delivered, and no invitation to subscribe for or to purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in the Sultanate of Oman to any person in Oman other than by an entity duly licensed by the Capital Market Authority of the Sultanate of Oman to market non-Omani securities in Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended).

State of Kuwait

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold, promoted or advertised by it in Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

No private or public offering of the Notes is being made in Kuwait, and no agreement relating to the sale of the Notes will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in Kuwait.

Singapore

Each Dealer has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor pursuant to Section 274 of the SFA, or (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (c) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it offers or sells Notes or possesses or distributes this Base Prospectus and none of the Issuer and any other Dealer shall have any responsibility therefor.

None of the Issuer and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Final Terms.

Persons into whose possession this Base Prospectus, any Final Terms or any Notes may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of Notes.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes by the Issuer and its entry into the Programme Agreement, the Agency Agreement and the Deed of Covenant have been duly authorised by a resolution of the Board of Directors of the Issuer dated 26 January 2016.

Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the Main Securities Market or any other MiFID Regulated Market and/or which are to be offered to the public in any Member State. Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and trading on its Main Securities Market. The listing of the Programme in respect of Notes is expected to be granted on or before 15 April 2016.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Documents Available

For the period of 12 months from the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection or collection, in physical format or provided to holders in electronic form, from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

(a) the Articles of Association (with an English translation thereof) of the Issuer;

(b) the financial statements of the Issuer in respect of the financial years ended 31 December 2015 and 31 December 2014, in each case together with the audit reports prepared in connection therewith;

(c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial information of the Issuer, in each case together with any review reports prepared in connection therewith;

(d) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(e) a copy of this Base Prospectus; and

(f) any future base prospectuses, prospectuses, information memoranda, supplements to and Final Terms related to Notes issued pursuant to this Base Prospectus and any other documents incorporated therein by reference (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking *société anonyme*, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Bank since 31 December 2015. There has been no material adverse change in the prospects of the Bank since 31 December 2015.

Litigation

The Bank has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Bank.

Auditors

The Bank's appointed auditors are Ernst & Young LLC Oman (**EY**) whose business address is P.O. Box 2991, Ruwi, Postal Code 112, Sultanate of Oman. EY is regulated in Oman by the Ministry of Commerce and Industry, which has issued EY a licence to practise as auditors. There is no professional institute of auditors in Oman and, accordingly, EY is not a member of a professional body in Oman. All of EY's audit partners are members of the institutes from where they received their professional qualification.

The financial statements of the Bank as at and for the years ended 31 December 2015 and 31 December 2014 have been audited by EY in accordance with International Standards on Auditing as stated in their reports incorporated by reference herein.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business for which they may receive fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer and its affiliates routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term "affiliates" shall also include parent companies.

ISSUER

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ISSUING AND PRINCIPAL PAYING AGENT AND TRANSFER AGENT

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REGISTRAR, PAYING AGENT AND TRANSFER AGENT

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