

## THE OFFERING

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### KEY TERMS OF THE OFFERING

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

Issuer	Oman Arab Bank SAOC
Commercial Registration	1223518
Registered Office	PO Box 2010, PC 112, Ruwi, Sultanate of Oman
Issued & Paid-up Capital	RO 134.62 million (as on 31 <sup>st</sup> March 2018)
Credit Rating of Issuer	Moody's: Ba1 Outlook: Negative (Foreign Currency Deposit – Long Term) Capital Intelligence: BBB- Outlook: Stable (Foreign Currency Deposit - Long Term)
Instrument Offered	Unsecured, Perpetual, Subordinated Bonds (Additional Tier I Capital Instrument)
Issue Route	Private Placement
Offer Size	Up to 50,000,000 (Fifty Million) Bonds
Use of Proceeds	The net proceeds from the issue will be used by the Bank to increase its Additional Tier 1 Capital for the purpose of increasing its capital adequacy and for its general corporate purposes.
Denomination	Omani Rial
Nominal Value	RO 1.000 per bond
Offer Price	RO 1.000 per Bond, comprising nominal value of RO 1/-, payable in full on subscription
Maturity/ Tenor of the Bonds	The Bonds are perpetual subordinated securities in respect of which there is no fixed or final redemption date and no step-up features or other incentives for the Bank to redeem the Bonds.  (Please refer Chapter 6 for further details)
Call Option	Pursuant to Condition 6.8(b) ( <i>Bank's Call Option</i> ), the Bank may, on 17 <sup>th</sup> October 2023 (the " <b>First Call Date</b> ") or on any Call Date (as defined) thereafter, redeem all, but not some, of the Bonds at the Redemption Amount subject to the prior written approval of CBO.  For the avoidance of doubt, the Bank shall not do anything which creates an expectation that the Bank's call option will be exercised.

Furthermore, the Bank cannot exercise the Call Option unless:

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

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

#### Interest Rate

The interest rate on the Bond will be the Initial Interest Rate in respect of the period from the Issue Date to the First Call Date, and, in respect of each Reset Period thereafter, at the Reset Interest Rate.

The Initial Interest Rate is 7.50% per annum, in arrear, from (and including) the Issue Date up to (but excluding) the First Call Date.

The interest on the Bond shall be payable out of Distributable Items and subject to certain Interest Restriction conditions.

#### Interest Payment Dates

Semi-annual, on 17<sup>th</sup> April and 17<sup>th</sup> October. The first Interest Payment Date will be 17<sup>th</sup> April 2019.

#### Interest Payment Amounts

Subject to the Interest Restrictions, the Bonds shall bear interest semi-annually in arrear from (and including) the Issue Date.

The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be R.O. 37.5 per R.O. 1,000 in outstanding principal amount of the Bonds and shall be payable out of Distributable Items (as defined).

The Interest Rate will be reset on each Reset Date (as defined) on the basis of the aggregate of the relevant Reset Reference Rate and the Relevant Margin on the relevant Determination Date, as determined by the Bank (see Condition 6.5 (Interest)).

If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Bank shall not pay the corresponding Interest Payment Amounts on the relevant Interest Payment Date and the Bank shall not

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have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 6.6 (Interest Restrictions). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Bonds will have no right to receive such interest at any time, even if interest is paid in the future. It is further clarified that such non-payment of interest payment amounts by the Bank shall not constitute an Event of Default.

#### Reset Interest Rate

The Interest Rate will be reset on the First Call Date and every 12 months thereafter, on each Reset Date (each a Reset Interest Rate).

Each Reset Interest Rate will be the aggregate of the Reset Reference Rate and the Relevant Margin on the Determination Date, as determined by the Bank.

The Reset Reference Rate is the average yield at which allotment is made (in case of GDB) or the yield to maturity / first call, calculated at the announced issue price (in case of Omani Rial sovereign debt issue) for the Reset Reference Bond.

The Reset Reference Bond is the most recent Omani Rial Government Development Bond (GDB) issued through auction or any other Omani Rial sovereign debt issued through auction or otherwise, in the immediate 12 months preceding each Determination Date.

The Reset Reference Tenor is the length of time in years, until the maturity date or first call date of the Reset Reference Bond

The Relevant Margin is the amount shown in the following table against the tenor that is equal to the Reset Reference Tenor.

<b>Tenor</b>	<b>Margin %</b>
5 years	2.65 %
7 years	2.59 %
10 years	1.84 %

In the event no Reset Reference Bond is available on account of no auction issue or bond issue in the immediate 12 month period preceding any Determination Date, or there is no tenor matching the Reset Reference Tenor, then the existing Interest Rate will continue until the next Reset Date.

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Interest Restriction

If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Bank shall not pay the corresponding interest payment amounts on the relevant Interest Payment Date and the Bank shall not have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 6.6 (Interest Restrictions). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Bonds will have no right to receive such interest at any time, even if interest is paid in the future. It is further clarified that such non-payment of Interest Payment Amounts by the Bank shall not constitute an Event of Default.

Dividend Restrictions

If any interest payment amount is not paid as a consequence of a Non-Payment Event or a Non-Payment Election (as the case may be), then, from the date of such Non-Payment Event or Non-Payment Election (the "Dividend Stopper Date"), the Bank will not, so long as any of the Bonds are outstanding:

(a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, the ordinary shares of the Bank ("Ordinary Shares") (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or

(b) pay interest, profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities, ranking, as to the right of payment of dividend, distributions or similar payments, junior to or pari passu with the obligations (excluding securities the terms of which do not at the relevant time enable the Bank to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the Applicable Regulatory Capital Requirements; or

(c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Ordinary Shares; or

(d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Bank ranking, as to the right of repayment of capital, junior to or pari passu with the obligations (excluding securities the terms of which stipulate a

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mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the Applicable Regulatory Capital Requirements,

in each case unless or until one interest payment amount following the Dividend Stopper Date has been paid in full.

Minimum and Maximum 50,000 Bonds (Minimum)

Subscription 50,000,000 Bonds (Maximum)

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

The Bonds may be redeemed by the Bank only in accordance with the provisions as set out in Condition 6.8 (b) (Bank's Call Option).

In addition, on any date on or after the Issue Date, upon the occurrence of a Force Majeure event, all but not some, of the Bonds may be redeemed or the terms of the Bonds may be varied, in accordance with Condition 6.10.1 (Consequences of a Force Majeure event).

The redemption of the Bonds is subject to the following conditions:

(i) the prior written consent of the Central Bank of Oman ("CBO" or the "Regulator"); and

(ii) the requirement that, at the time when the relevant notice of redemption or variation is given and immediately following such redemption or variation (as applicable), the Bank is or will be (as the case may be) in compliance with the Capital Requirements;

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

Any redemption shall be with the prior approval of CBO and there can be no assumption that that the said approval will be given.

**Write Down** If a Non-Viability Event occurs, a Write-down shall occur on the relevant Non-Viability Event Write-down

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Date (as defined) as more particularly described in Condition 6.9 (Write-down at the Point of Non-Viability).

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

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

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

#### Status of the Bonds

The payment obligations of the Bank under the Bonds will:

- a) constitute Additional Tier 1 Capital of the Bank;
- b) constitute direct, unsecured, unconditional and subordinated obligations of the Bank that rank *pari passu* amongst themselves;
- c) rank subordinated to the claims of the Bank's depositors, general creditors, the holders of other subordinated debt / bonds/ sukuk of the Bank, and to all unsubordinated payment obligations of the Bank and all subordinated payment obligations (if any) of the Bank to which the Obligations rank, or are expressed to rank, junior;
- d) rank *pari passu* with subordinated payment obligations of the Bank which rank, or are expressed to rank, *pari passu* with the Obligations; and
- e) rank in priority only to claims of the holders of ordinary equity shares of the Bank.

The Bonds are not redeemable at the holder's initiative or without the written consent of CBO.

The Bonds are not secured nor covered by a guarantee of the Bank or a related entity or other arrangement legally or economically enhancing the seniority of the claim *vis-à-vis* depositors, general creditors, holders of other subordinated debt/ bonds / sukuk of the Bank and all subordinated payment obligations (if any) of the Bank to which the obligations rank, or are expressed to rank, junior.

Neither the Bank nor a related entity over which it exercises control or significant influence can directly or indirectly purchase and own the Bonds, nor can the

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	Bank directly or indirectly have financed its ownership and purchase.
Listing	The Bonds will be listed on the bond segment of Muscat Securities Market (MSM).
Form of the Bonds	The Bonds will be issued in dematerialised form and Muscat Clearing & Depository Company SAOC ("MCDC") will act as the Registrar to the Bonds and maintain a register setting out the names and addresses of the Bonds' holders and the number of Bonds held by them respectively. The administration of registration of transfers of Bonds shall also be maintained by MCDC.
Eligible Subscribers	<p>The Bonds are offered on a private placement basis to select investors. In line with the regulations of CBO, local banks are prohibited from investing in the Bonds.</p> <p>Neither the Bank nor a related entity over which it exercises control or significant influence can directly or indirectly purchase and own the Bonds, nor can the Bank directly or indirectly have financed its ownership and purchase.</p>
Subscription Period	<p>The subscription opening date is October 10, 2018 and the subscription closing date is October 15, 2018.</p> <p>The Bank may extend the subscription closing date with the approval of CMA.</p>
Issue Date and Allotment	<p>The Issue Date is October 17<sup>th</sup>, 2018.</p> <p>The Bonds will be allotted on Issue Date. Validity of the allotment shall be subject to the approval of all relevant authorities.</p> <p>If any investor(s) withdraws or does not subscribe to the full amount, the Board of Directors of the Bank shall allocate the unsubscribed Bonds to one or more of the other investors subject to their maximum bonds commitment.</p> <p>In the event the Bond Issue is not subscribed in full by the proposed Investors the Board of Directors may accept subscription only to the extent it is subscribed and accordingly the Bond issue size will be reduced.</p>
Financial Advisor, Issue Manager and Lead Arranger	<p>Ubhar Capital SAOC  P.O. Box 1137, P.C. 111, CPO  Muscat, Sultanate of Oman  Tel: +968 24 949 000 Fax: +968 24 949 099  <a href="http://www.u-capital.net">www.u-capital.net</a></p>

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Trustee & Registrar	Muscat Clearing and Depository Company SAOC PO Box 952, PC 112, Ruwi, Sultanate of Oman Tel: 24822222, Fax: 24817491 Website : <a href="http://www.mcd.gov.om">http://www.mcd.gov.om</a>
Collecting Bank	Oman Arab Bank SAOC
Legal Advisor	Curtis, Mallet-Prevost, Colt & Mosle LLP
Auditors to the Issuer	Ernst & Young LLC Muscat, Sultanate of Oman

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#### **AUTHORIZATION OF THE OFFERING**

- The CBO vide their letter No. BSD/2018/BKUP/OAB/272 dated May 16, 2018 approved the Issue.
- The issue of the Bonds was authorized by the Shareholders of the Issuer at an Extra-ordinary General Meeting held on 28 March 2018.
- The CMA has approved the issue and the prospectus as per details stated on the first page.