

**BANK SOHAR SAOG**

**Basel III common disclosure template - Dec 2013**

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from 1 January 2013 to 1 January 2018) (RO '000)		AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	110,000
2	Retained earnings	31,929
3	Accumulated other comprehensive income (and other reserves)	25,407
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-
	Public sector capital injections grandfathered until 1 January 2018	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>167,336</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(1,412)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(144)
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale (as set out in paragraph 14.9 of CP-1)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities.	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage Servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>(1,556)</b>
29	<b>Common Equity Tier 1 capital (CET1)</b>	<b>165,780</b>
	<b>Additional Tier 1 capital: instruments</b>	

30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards 5	-	
32	of which: classified as liabilities under applicable accounting standards 6	-	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	<b>Additional Tier 1 capital before regulatory adjustments</b>	-	
<b>Additional Tier 1 capital: regulatory adjustments</b>			
37	Investments in own Additional Tier 1 instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
39	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
40	Significant investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments	-	-
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	-
	OF WHICH : [INSERT NAME OF ADJUSTMENT]	-	-
	OF WHICH : [INSERT NAME OF ADJUSTMENT]	-	-
	OF WHICH : [INSERT NAME OF ADJUSTMENT]	-	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	
44	<b>Additional Tier 1 capital (AT1)</b>	-	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	165,780	
<b>Tier 2 capital: instruments and provisions</b>			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	42,983	
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
50	Provisions	16,842	
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>59,825</b>	
<b>Tier 2 capital: regulatory adjustments</b>			
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
55	Significant investments in the capital banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments	-	-

	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT.	-
	OF WHICH : [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH : [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH : [INSERT NAME OF ADJUSTMENT]	-
57	<b>Total regulatory adjustments to Tier 2 capital</b>	-
58	<b>Tier 2 capital (T2)</b>	59,825
59	<b>Total capital (TC = T1 + T2)</b>	225,605
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	OF WHICH : [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH : [INSERT NAME OF ADJUSTMENT]	-
60	<b>Total risk weighted assets (60a+60b+60c)</b>	1,655,104
60a	Of which : Credit risk weighted assets	1,534,748
60b	Of which : Market risk weighted assets	30,651
60c	Of which : Operational risk weighted assets	89,706
<b>Capital Ratios</b>		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.02%
62	Tier 1 (as a percentage of risk weighted assets)	10.02%
63	Total capital (as a percentage of risk weighted assets)	13.63%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.50%
65	of which : capital conservation buffer requirement	2.50%
66	of which : bank specific countercyclical buffer requirement	-
67	of which : D-SIB/G-SIB buffer requirement	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	1.02%
<b>National minima (if different from Basel III)</b>		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	7.00%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	9.00%
71	National total capital minimum ratio (if different from Basel 3 minimum)	12.00%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
80	Current cap on CET1 instruments <i>subject to phase out arrangements</i>	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

## BANK SOHAR SAOG

### RECONCILIATION TEMPLATE - AS OF DECEMBER ' 2013

#### Step 1 :

( RO '000 )

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	As at Dec' 13	As at Dec' 13
<b>Assets</b>		
Cash and balances with Central Bank of Oman	106,069	106,069
Certificates of deposit	-	-
Due from banks	262,348	262,348
Loans and advances	1,278,278	1,278,278
Investments in securities	206,216	206,216
Loans and advances to banks	-	-
Property and equipment	16,134	16,134
Deferred tax assets	-	-
Other assets	16,575	16,575
<b>Total assets</b>	<b>1,885,620</b>	<b>1,885,620</b>
<b>Liabilities</b>		
Due to banks	238,886	238,886
Customer deposits	1,382,626	1,382,626
Current and deferred tax liabilities	-	-
Other liabilities**	35,689	40,089
Subordinated Debts	50,000	50,000
Compulsory Convertible bonds	7,150	7,150
<b>Total liabilities</b>	<b>1,714,351</b>	<b>1,718,751</b>
<b>Shareholders' Equity</b>		
Paid-up share capital	110,000	110,000
Share premium	-	-
Legal reserve	10,827	10,827
General reserve	413	413
Retained earnings*	36,329	31,929
Cumulative changes in fair value of investments	(467)	(467)
Subordinated debt reserve	14,167	14,167
<b>Total shareholders' equity</b>	<b>171,269</b>	<b>166,869</b>
<b>Total liability and shareholders' funds</b>	<b>1,885,620</b>	<b>1,885,620</b>

**BANK SOHAR SAOG**

**RECONCILIATION TEMPLATE - AS OF DECEMBER ' 2013**

**Step 2 :**

( RO '000 )

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at Dec' 13	As at Dec' 13	
<b>Assets</b>			
Cash and balances with CBO	106,069	106,069	
Balance with banks and money at call and short notice	262,348	262,348	
<b>Investments :</b>	206,216	206,216	
Of which Held to Maturity	9,558	9,558	
Out of investments in Held to Maturity:			
Investments in subsidiaries	NA	NA	
Investments in Associates and Joint Ventures	NA	NA	
Of which Available for Sale	178,158	178,158	
Out of investments in Available for Sale :	NA	NA	
Investments in Subsidiaries			
Investments in Associates and Joint Ventures	NA	NA	
Held for Trading	18,500	18,500	
<b>Loans and advances</b>	1,278,278	1,278,278	
<b>Of which :</b>			
Loans and advances to domestic banks	-	-	
Loans and advances to non-resident banks	32,314	32,314	
Loans and advances to domestic customers	1,215,241	1,215,241	
Loans and advances to non-resident Customers for domestic operations	-	-	
Loans and advances to non-resident Customers for operations abroad	12,478	12,478	
Loans and advances to SMEs	9,284	9,284	
Financing from Islamic banking window	8,961	8,961	
<b>Fixed assets</b>	16,134	16,134	
<b>Other assets</b>	16,575	16,575	
of which:			
Goodwill and intangible assets			
Out of which:			
goodwill	-	-	
Other intangibles (excluding MSRs)	-	-	
Deferred tax assets	-	-	
Goodwill on consolidation	-	-	

Debit balance in Profit & Loss account	-	-	
<b>Total Assets</b>	<b>1,885,620</b>	<b>1,885,620</b>	
<b>Capital &amp; Liabilities</b>			
Paid-up Capital	110,000	110,000	
Of which:			
Amount eligible for CET1	110,000	110,000	
Amount eligible for AT1	-	-	
Reserves & Surplus	61,269	56,869	
Out of which			
Retained earnings*	36,329	31,929	<b>c</b>
Other Reserves	25,407	25,407	
Cumulative changes in fair value of investments	(467)	(467)	
Out of which :			
Losses from fair value of investments		(1,412)	<b>a</b>
Gains from fair value of investments		946	
Haircut of 55% on Gains		(520)	
Total Capital	171,269	166,869	
Deposits :	1,382,626	1,382,626	
Of which:			
Deposits from banks	-	-	
Customer deposits	1,363,312	1,363,312	
Deposits of Islamic Banking window	19,314	19,314	
Other deposits(please specify)	-	-	
Borrowings	238,886	238,886	
Of which: From CBO	-	-	
From banks	238,886	238,886	
From other institutions & agencies	-	-	
Borrowings in the form of bonds, Debentures and sukuks	7,150	7,150	
Others (Subordinated debt)	50,000	50,000	
Other liabilities & provisions**	35,689	40,089	
Of which:			
Out of which : DTAs related to Investments		(144)	<b>b</b>
Out of which : DTLs related to Investments		7	
Out of which : DTLs related to Fixed Assets		-	
DTLs related to goodwill	-	-	
DTLs related to intangible assets	-	-	
<b>TOTAL</b>	<b>1,885,620</b>	<b>1,885,620</b>	

**BANK SOHAR SAOG**

**RECONCILIATION TEMPLATE - AS OF DECEMBER ' 2013**

**Step 3 :**

<b>Common Equity Tier 1 capital: instruments and reserves</b>			
		<b>Component of regulatory capital reported by bank</b>	<b>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2</b>
1	Directly issued qualifying common share (and equivalent for non- joint stock companies) capital plus related stock surplus	110,000	
2	Retained earnings	31,929	<b>c</b>
3	Accumulated other comprehensive income (and other reserves)	25,407	
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	167,336	
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Losses from fair value of investments	(1,412)	<b>a</b>
10	DTA related to Investments	(144)	<b>b</b>
11	<b>Common Equity Tier 1 capital (CET1)</b>	<b>165,780</b>	

**BANK SOHAR SAOG**

**MAIN FEATURES TEMPLATE OF CAPITAL INSTRUMENTS - as of Dec 2013**

1	<b>Issuer</b>	BANK SOHAR
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN OM0000003398
3	Governing law(s) of the instrument <i>Regulatory treatment</i>	Banking Law of Oman / Commercial Companies Law
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Equity Shares
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	OMR 110 Million
9	Par value of instrument	OMR 110 Million
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	3-Jan-07
12	Perpetual or dated	Perpetual
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
<b><i>Coupons / dividends</i></b>		
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NO
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	NO
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NO
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to the Compulsorily Convertible bonds issued by the Bank
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	NA



**BANK SOHAR SAOG**

**MAIN FEATURES TEMPLATE OF CAPITAL INSTRUMENTS - as of Dec 2013**

1	<b>Issuer</b>	BANK SOHAR
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Bloomberg ID EK0076787
3	Governing law(s) of the instrument <i>Regulatory treatment</i>	Banking Law of Oman
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Tier 2
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Debt
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	OMR 35.833
9	Par value of instrument	OMR 50,000,000/=
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	Started issuance from 20th Jul 2010
12	Perpetual or dated	Dated
13	Original maturity date	7 years from date of allotment First maturity on 20th Jul 2017
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not callable
16	Subsequent call dates, if applicable	Not callable
<b>Coupons / dividends</b>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.50% p.a.
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all Senior liabilities. Currently, subordinated to fixed deposits
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	NA

**BANK SOHAR SAOG**
**MAIN FEATURES TEMPLATE OF CAPITAL INSTRUMENTS - as of Dec 2013**

1	<b>Issuer</b>	BANK SOHAR
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN OM 0000004628
3	Governing law(s) of the instrument <i>Regulatory treatment</i>	Banking Law of Oman
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Tier 2
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Compulsorily Convertible Bond
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	OMR 7.15 Million
9	Par value of instrument	OMR 7,150,000/=
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	28-Apr-13
12	Perpetual or dated	Dated
13	Original maturity date	28-Apr-2016/28-Apr-2017/28-Apr-2018
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Anytime, at bank's sole discretion, or if directed to do so by the CBO
16	Subsequent call dates, if applicable	As in point 15 above
<b><i>Coupons / dividends</i></b>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.5% p.a.
19	Existence of a dividend stopper	NO
20	Fully discretionary, partially discretionary or mandatory	Partially discretionary
21	Existence of step up or other incentive to redeem	NO
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger (s)	At the end of 3rd, 4th and 5th year from date of listing. Also convertible anytime, at bank's sole discretion or if directed by the CBO to do so.
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	At a price which shall be at a 20% discount to the weighted average market price of the shares of the Banktraded during 3 months immediately preceding the record date to be set for each conversion.
27	If convertible, mandatory or optional conversion	Mandatory
28	If convertible, specify instrument type convertible into	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	Bank Sohar
30	Write-down feature	NO
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to the Subordinated debt issued by the Bank
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	NA

**Dated**

**2010**

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**THE ISSUER  
BANK SOHAR SAOG**

**THE LENDER**

**[•]**

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**SUBORDINATED DEBT AGREEMENT**

**OMR 50 Million**

**Term Sheet dated as of [●]**

**Bank Sohar SAOG Subordinated Debt Issue of up to OMR 50,000,000  
Tranche 1 - 2010**

<b>Issuer / Borrower</b>	<b>Bank Sohar SAOG (the “Bank”).</b>
<b>Specified Currency</b>	Omani Rial (OMR)
<b>Amount</b>	OMR 50 Million
<b>Mode of Allotment</b>	Private Placement
<b>Allotment Date</b>	20 <sup>th</sup> July 2010 to 8 <sup>th</sup> September 2010
<b>Interest Commencement Date</b>	20 <sup>th</sup> July 2010 to 8 <sup>th</sup> September 2010
<b>Tenor</b>	7 years from the allotment date.
<b>Final Maturity Date</b>	20 <sup>th</sup> July 2017 to 8 <sup>th</sup> September 2017
<b>Interest Basis</b>	Fixed Rate
<b>Rate of Interest</b>	[6.50]% p.a. for the entire tenor.
<b>Interest Period</b>	Payable at the end of every 6 months.
<b>Interest Payment</b>	Interest will be paid in arrears on each interest payment date. The first interest payment date will occur on a date falling six months after the allotment date. Each successive interest payment date will occur six months after the last interest payment date. The last period of interest will end on the maturity date.
<b>Interest Payment Date(s)</b>	Payable at the end of every 6 months
<b>Interest Rate Convention</b>	Actual/ 365.
<b>Call Option</b>	Nil
<b>Instrument Type</b>	Unlisted, non-transferable and non negotiable.

**Status of the Instrument** Unsecured, subordinated to senior debt. (The rights of the Lender in respect of repayment of the principal and interest represented by the Debt will be subordinated to the senior liabilities of the Issuer and form part of the Issuer's subordinated liabilities. In case of the Issuer being adjudicated insolvent, payment of subordinated liabilities shall be deferred until senior liabilities have been discharged. The rights of the Lender will, however, rank pari passu with all other subordinated liabilities of the Issuer. In an insolvency, subordinated liabilities will, however, be paid prior to payments to share holders. In this term sheet, "senior liabilities" means all liabilities of the Issuer other than subordinated debts and shareholder funds.

**Business Day Convention** In the event interest becomes due for payment on a day upon which Banks are closed for business in the Sultanate of Oman, then the payment will be effected on the first working day after the holiday. The payment will not include the interest amount for the period of such delay, which shall be included with the next interest payment, as would normally be the case. However, if the principal or the final payment of interest becomes due on a day upon which Banks are closed for business in the Sultanate of Oman, then the payment of interest on the principal, as shall be the case will be effected on the first business day after the holiday. Such payment will include the interest amount for the period of such delay.

**Holiday Convention** Sultanate of Oman (Sultanate of Oman: Any day on which Bank's are not open for business in the Sultanate of Oman is deemed to be a holiday).

**Governing Law** Laws of the Sultanate of Oman and regulations issued by Ministries and Government authorities in the Sultanate of Oman.

<b>Signed on behalf of Lender</b>		
<b>Name</b>	<b>Signature</b>	<b>Date</b>
<b>Signed on behalf of Issuer</b>		
<b>Name</b>	<b>Signature</b>	<b>Date</b>



## **EXPLANATORY NOTE FOR THE PROPOSED MANDATORILY CONVERTIBLE BOND ISSUE**

### **1. Purpose of the Issue**

The Board of Directors at its meeting held on January 29, 2013 has recommended a distribution of a dividend of 10% on the paid-up capital of the Bank to its shareholders for the year 2012, comprising of 3.5% cash dividend and 6.5% stock dividend in the form of Compulsorily Convertible Bonds (CCBs). The issue of CCBs shall be in compliance with the rules, regulations and directives of the Central Bank of Oman (CBO) and the guidelines of Basel III governing the Tier I Capital instruments. The CCBs shall be issued on the terms and conditions specified in this explanatory statement.

The proposed CCBs are intended to achieve the following objectives:

- (i) Reward the shareholders with a combination of fixed returns and benefit of equity shares over the long-term.
- (ii) Retention of distributed profit for a certain period to finance the growth plans chalked out by the Bank.
- (iii) Bring about improvement in Asset – Liability mismatch.
- (iv) Prudent balancing of the returns to the shareholders with management of the cost of funds.

### **2. Issue size**

The CCB issue shall comprise of 71,500,000 (Seventy-One Million Five Hundred Thousand only) CCBs with a face value of 100 baiza each aggregating to RO 7,150,000 (RO Seven Million One Hundred and Fifty Thousand), being 6.5% of the paid-up capital as recommended by the Board of Directors at its meeting held on January 29, 2013.

### **3. Rating**

The Bank has been rated by leading credit rating agencies. The ratings given are:

<b>Rating Agency</b>	<b>Rating</b>
Fitch Ratings	BBB+ (Stable Outlook)
Capital Intelligence	BBB+ (Stable Outlook)

The Bank shall keep its rating under surveillance for the entire tenor of the CCBs. The ratings are reviewed annually or earlier at the discretion of the rating agency.

#### **4. Terms of the Issue**

The following shall be the principal terms of the issue of CCB:

- (i) The CCBs shall be issued with tenure of 5 years.
- (ii) The CCBs are unsecured and unguaranteed
- (iii) The CCBs will carry a coupon rate of 4.5% per annum on their nominal value payable semi-annually and interest shall be calculated on the basis of 365 days per year. The interest rate shall remain fixed for the entire tenor of the CCBs. Interest payment dates will be in accordance with the stipulations of Muscat Clearing & Depository SAOC.
- (iv) The interest accrues from the listing date, is non-cumulative and payable only on the amounts outstanding under CCB after conversion (if any).
- (v) Each coupon payment shall be made after compliance with the following:
  - a) Payment/distributions on all other Tier 2 items (if any).
  - b) Minimum capital adequacy, solvency and other capital related regulatory requirements, as stipulated by the CBO.
- (vi) The CCBs shall be compulsorily convertible into equity shares in 3 equal installments, comprising of one third of the nominal value of each CCB, at the end of 3rd, 4th and 5th years from the date of their listing. The CCBs shall be converted into equity shares, at a price which shall be at 20% discount to the weighted average market price of the shares of the Bank traded during 3 months immediately preceding the record date to be set for each one third conversion.
- (vii) The Bank has the right to call and convert the CCB, partly or fully, at its sole discretion or if directed by the CBO for any reason including capital adequacy requirements that may be specified from time to time, before the respective due dates as mentioned in Clause 4 (vi) above. Such conversion shall be on the same terms as the CCBs stated in Clause 4 (vi) above. In such case, subsequent interest shall be paid only on the outstanding amount of the CCB or as directed by the Central Bank of Oman.
- (viii) The funds retained by the Bank through issuance of CCB will be available to the Bank without any restriction on their use.
- (ix) The CCB, including any unpaid coupon thereon, shall be subordinated to all other depositors, general creditors and other subordinated debts of the Bank and any



other Tier 2 capital items (if any). In case of any eventuality related to liquidation / repayment, CCB will have the lowest priority except the equity shareholders. The CCB holder shall not be entitled to any dividend or any distribution that may be declared by the Bank related to each installment for the period prior to the date of conversion of such installment. It is clarified that the equity shares issued upon conversion of each installment shall become eligible for any dividend declared by the Bank after the date of issuance of such equity shares.

- (x) The CCBs shall be listed on the MSM and available for trading from the date of listing.
- (xi) The Board of Directors shall appoint a Trustee to act on behalf of the CCB holders who shall enter into a Trust Deed with the Bank defining the rights and obligations of the CCB. The principal terms of the Trust Deed shall be disclosed suitably on the website of MSM.
- (xii) The Trustee shall act as the registrar and transfer agent and as trustee in accordance with the terms of the Trust Agreement to be entered into by and between the Bank and the Trustee.
- (xiii) Transfers may be made for a minimum of one CCB and transfer of any fractional CCB shall not be allowed. The CCBs are not negotiable. The CCBs are transferable in accordance with the regulations and directives of the CMA. The CCBs are capable of being pledged, ceded, sold, bequeathed, donated or dealt with in any way as may be ordinarily allowed under the Laws of Oman in respect of listed and stock market tradable securities.
- (xiv) The terms and conditions attaching to the CCBs shall be capable of amendment under the following circumstances:
  - a) In the event that any term or condition thereof needs to be amended in order to comply with the Laws of Oman, or change in the Laws of Oman, or any regulation of CBO, the CMA, the MSM, or MOCI, the Bank shall be entitled to enforce such change or amendment forthwith. The Bank shall make suitable disclosures to the CCB holders and on the website of the MSM.
  - b) In the event that the Bank intends proposing any other amendment or variation to the terms and conditions attaching to the CCBs, it shall call a meeting of CCB holders for such purpose. The CCB holders shall be entitled to consider, and vote upon any such variation or amendment by way of formal meeting to be held, other than as specifically provided for herein, in accordance with

procedures similar to that applying to general meetings of shareholders of public companies under the directives of the Central Bank of Oman (“CBO”), the Commercial Companies Law (the “CCL”) and the Capital Market Law (the “CMAL”).

- (xv) As per the Trust Deed, meetings of CCB holders will be convened as per the provisions of the Commercial Companies Law, in order to consider matters affecting the interest of CCB holders as proposed by the Bank, including the modification of any of the terms and conditions of the CCBs including any:
  - a) modification of the dates on which interest is payable in respect of the CCBs or the maturity of the CCBs;
  - b) reduction or cancellation of the principal amount or interest on the CCBs or modification of the date of payment in respect of the CCBs; and
  - c) change of the currency of payment of the CCBs.
- (xvi) The terms and conditions of the CCBs, do not restrict the Bank from making a further issue of CCBs or any other debt, equity or hybrid (a combination of debt and equity) instrument including debt instruments ranking in priority to the CCBs in accordance with the CCL and the Laws of Oman.
- (xvii) The terms and conditions of the CCBs are to be governed by and construed in accordance with the laws of Oman and any disputes arising between the Trustee on behalf of the CCB holders and the Bank, which are not settled through negotiation shall be referred to the exclusive jurisdiction of the concerned court of Oman.
- (xviii) The CCBs shall comply with the criteria for inclusion in Additional Tier I capital as specified in Annexure 1.

## **5. Eligibility**

All registered shareholders who hold shares of the Bank as on the date of the EGM called to approve the issuance of CCBs, shall be eligible for the CCBs in proportion to their shareholding in the Bank, duly rounded off to the nearest whole number, as determined by the Muscat Clearing & Depository SAOC. The cumulative fractions arising out of such rounding off shall be disposed off and the proceeds thereof shall be credited to the respective accounts of eligible shareholders.

## ANNEXURE 1

### **PRINCIPAL CRITERIA FOR INSTRUMENTS FOR INCLUSION IN ADDITIONAL TIER I CAPITAL**

1. The capital instrument shall be issued and fully paid-up.
2. The instrument shall be subordinated to depositors, general creditors and subordinated debt of the Bank.
3. The instrument shall be neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis the Bank creditors.
4. Any repayment of principal (e.g. through repurchase or redemption) must be with the prior supervisory approval and banks should not assume or create market expectations that the supervisory approval will be given.
5. The dividend/coupon must be paid out of distributable items.
6. The instrument cannot contribute to liabilities exceeding the assets, if such a balance sheet test forms part of national solvency law, as may be applicable.
7. Instruments classified as liabilities for accounting purposes must have principal loss absorption through conversion to common shares at an objective pre-specified trigger point.