

## IMPORTANT NOTICE

**THIS BASE PROSPECTUS IS AVAILABLE ONLY TO: (1) QIBs (AS DEFINED BELOW) WHO ARE ALSO QPs (AS DEFINED BELOW) OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (AS DEFINED BELOW) (“REGULATION S”)) OUTSIDE OF THE UNITED STATES**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached base prospectus (the “**Base Prospectus**”) and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the Base Prospectus is confidential and intended only for you, and you agree you will not forward, reproduce or publish this electronic transmission or the Base Prospectus to any other person.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE BASE PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S), OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.**

Any securities described in the Base Prospectus which do not constitute “alternative finance investment bonds” (“**AFIBs**”) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the “**FSMA**”)) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, the securities must not be marketed in the United Kingdom to the general public and the Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of the Base Prospectus, any Final Terms (as defined herein) and any other marketing materials relating to the securities is being addressed to, or directed at: (A) if the securities are AFIBs and the distribution is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Financial Promotion Order**”), (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the securities are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons; (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the “**Promotion of CISs Order**”); (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order (all such persons together being referred to as “**relevant persons**”).

**Confirmation of your representation:** In order to be eligible to view the Base Prospectus or make an investment decision with respect to the securities, you must be (i) a person that is outside the United States and not a U.S. person (within the meaning of Regulation S); or (ii) a qualified institutional buyer (a “**QIB**”) within the meaning of Rule 144A under the Securities Act (“**Rule 144A**”) who is also a qualified purchaser (a “**QP**”) as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended, that is acquiring the securities for your own account or the account of another QIB who is also a QP. By accessing the Base Prospectus, you confirm to the Government of the Sultanate of

Oman, represented by the Ministry of Finance (the “**Obligor**” or the “**Government**”), Oman Sovereign Sukuk S.A.O.C. (registered in Oman with commercial registration number 1225873) (in its capacities as issuer of the securities and as trustee for the holders of the securities, the “**Trustee**”) and each of Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc and Standard Chartered Bank (the “**Arrangers**”) and Alizz Islamic Bank SAOC, Citigroup Global Markets Limited, Dubai Islamic Bank P.J.S.C., Gulf International Bank B.S.C., HSBC Bank plc, J.P. Morgan Securities plc, KFH Capital Investment Company K.S.C.C., Standard Chartered Bank any other dealers appointed under the Programme (as defined herein) from time to time by the Obligor and the Trustee, which appointment may be for a specific issue of securities or on an ongoing basis (together, the “**Dealers**”) that (i) you understand and agree to the terms set out herein; (ii) you are a relevant person; (iii)(A) you are not a U.S. person; or (B) you are a QIB who is also a QP and the electronic mail (or e-mail) address to which, pursuant to your request, the Base Prospectus has been delivered by electronic transmission is utilised by someone who is a QIB and a QP; (iv) you are a person who is permitted under applicable law and regulation to receive the Base Prospectus; (v) you consent to delivery of such Base Prospectus and any supplements thereto by electronic transmission; (vi) you will not transmit the Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; and (vii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the securities.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Base Prospectus to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The Base Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Arrangers and the Dealers or any affiliate of the Arrangers or the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Arranger or Dealer or such affiliate on behalf of the Obligor or holders of the applicable securities in such jurisdiction.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the Base Prospectus who intend to subscribe for or purchase the securities described herein are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus, the applicable Final Terms and/or supplement(s) to the Base Prospectus (if any).

The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes are required by the Obligor, the Trustee, the Arrangers and the Dealers to inform themselves about, and to observe, any such restrictions.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Obligor, the Trustee, the Arrangers or the Dealers nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Obligor, the Trustee, the Arrangers and the Dealers. Please ensure that your copy is complete. If you received the Base Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “reply” function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Each of the Arrangers and the Dealers is acting exclusively for the Obligor and the Trustee and no one else in connection with any offer of the securities described in the Base Prospectus. They will not regard any other person (whether or not a recipient of the Base Prospectus) as their client in relation to any offer of the securities described in the Base Prospectus and will not be responsible to anyone other than the Obligor and the Trustee for providing the protections afforded to their clients nor for giving advice in relation to any offer of the securities described in the Base Prospectus or any transaction or arrangement referred to herein.



## OMAN SOVEREIGN SUKUK S.A.O.C.

(incorporated as a closed joint stock company in the Sultanate of Oman) and registered in the Sultanate of Oman with commercial registration number 1225873)

### Trust Certificate Issuance Programme

Under the trust certificate issuance programme described in this Base Prospectus (the “**Programme**”), Oman Sovereign Sukuk S.A.O.C., in its capacities as issuer of the Trust Certificates (as defined below) and trustee for the Certificateholders (as defined below) (the “**Trustee**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the “**Trust Certificates**”) in any currency agreed between the Trustee and the relevant Dealer(s) (as defined below). Trust Certificates may only be issued in registered form.

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#### AN INVESTMENT IN THE TRUST CERTIFICATES INVOLVES RISKS. SEE “**RISK FACTORS**”.

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The Trust Certificates may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Trustee (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 to the relevant Dealer(s) shall, in the case of an issue of Trust Certificates being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Trust Certificates. The Trust Certificates will be limited recourse obligations of the Trustee.

Each Tranche (as defined herein) of Trust Certificates issued under the Programme will be constituted by (i) an amended and restated master trust deed (the “**Master Trust Deed**”) dated 7 June 2021 entered into between the Trustee, the Government of the Sultanate of Oman represented by the Ministry of Finance (the “**Obligor**” or the “**Government**”) and The Law Debenture Trust Corporation p.l.c. as delegate of the Trustee (in such capacity, the “**Delegate**”) and (ii) a supplemental trust deed (the “**Supplemental Trust Deed**” and, together with the Master Trust Deed, the “**Trust Deed**”) in relation to the relevant Tranche. Trust Certificates of each Series (as defined herein) confer on the holders of the Trust Certificates from time to time (the “**Certificateholders**”) the right to receive certain payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the “**Trust**”). Such assets include the rights, title and interest of Oman Sovereign Sukuk S.A.O.C. in, to and under the Lease Asset(s) (as defined herein) of the relevant Series (the “**Relevant Lease Asset(s)**”) as set out in (i) an amended and restated master lease agreement (the “**Master Lease Agreement**”) dated 4 October 2018 entered into between the Trustee (in its capacity as lessor) and the Government (in its capacity as lessee) and (ii) a supplemental lease agreement (as may from time to time be replaced in accordance with the provisions of the relevant Supplemental Purchase Agreement, the Servicing Agency Agreement, the Sale and Substitution Undertaking and/or the Purchase Undertaking (each as defined herein), the “**Supplemental Lease Agreement**”) for the relevant Series (such assets being referred to as the “**Trust Assets**” for the relevant Series).

This Base Prospectus has been approved by the Financial Conduct Authority (the “**FCA**”) as competent authority under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”), as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”) (the “**UK Prospectus Regulation**”) and Part VI of the Financial Services and Markets Act 2000 (the “**FSMA**”). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Trustee or the Government or the quality of the Trust Certificates that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in the Trust Certificates. The Base Prospectus constitutes a prospectus for the purposes of the UK Prospectus Regulation. Application has been made to the FCA for Trust Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Trust Certificates to be admitted to trading on the London Stock Exchange’s main market (the “**Market**”). The Market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”). References in this Base Prospectus to Trust Certificates being listed (and all related references) shall mean that such Trust Certificates have been admitted to listing on the Official List and to trading on the Market. The Programme provides that Trust Certificates 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 Trustee, the Government and the relevant Dealer(s). However, unlisted Trust Certificates may also be issued pursuant to the Programme. The applicable final terms relating to the relevant Tranche (the “**applicable Final Terms**” or “**Final Terms**”) in respect of the issue of any Trust Certificates will specify whether or not such Trust Certificates will be listed on the Official List and admitted to trading on the Market (or any other stock exchange). The requirement to publish a prospectus under the Financial Services and Markets Act 2000 (the “**FSMA**”) only applies to Trust Certificates which are admitted to trading on a UK regulated market as defined in UK MiFIR and/or offered to the public in the United Kingdom other than in circumstances where an exemption is available under section 86 of the FSMA. References in this Base Prospectus to “**Exempt Trust Certificates**” are to Trust Certificates for which no prospectus is required to be published for any purpose under the Prospectus Regulation or the FSMA. Exempt Trust Certificates do not form part of this Base Prospectus for the purposes of the Prospectus Regulation or the FSMA and the FCA has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Trust Certificates.

The Programme has been rated BB- by Fitch Ratings Limited (“**Fitch**”) and Ba3 by Moody’s Investors Service, Inc. (“**Moody’s**”). The Sultanate of Oman (“**Oman**”) has been assigned a long-term and local currency sovereign credit rating of B+ by S&P Global Ratings Europe Limited (“**S&P**”) with a stable outlook, a long-term issuer rating of Ba3 by Moody’s with a negative outlook and a long-term issuer rating of BB- by Fitch with a negative outlook.

Moody’s is not established in the European Union or in the United Kingdom and has not applied for registration under Regulation (EC) No 1060/2009 (as amended) (the “**CRA Regulation**”) or Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). The rating issued by Moody’s referred to above has been endorsed by each of Moody’s Deutschland

GmbH in accordance with the CRA Regulation and by Moody's Investors Service Ltd. in accordance with the UK CRA Regulation. Moody's Deutschland GmbH is established in the European Union and registered under the CRA Regulation. As such, Moody's Deutschland GmbH 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. Moody's Investors Services Ltd. is established in the United Kingdom and registered in accordance with the UK CRA Regulation.

Fitch is established in the United Kingdom and registered under the UK CRA Regulation. Fitch is not established in the European Union and has not applied for registration under the CRA Regulation. The rating issued by Fitch referred to above has been endorsed by Fitch Ratings Ireland Limited in accordance with the CRA Regulation. Fitch Ratings Ireland Limited is established in the European Union and registered under the CRA Regulation. As such Fitch Ratings Ireland Limited 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.

S&P is established in the European Union and registered under CRA Regulation. As such, S&P 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. S&P is not established in the United Kingdom and has not applied for registration under the CRA Regulation. The rating issued by S&P referred to above has been endorsed by S&P Global Ratings UK Limited. S&P Global Ratings UK Limited is established in the United Kingdom and is registered in accordance with the UK CRA Regulation.

Trust Certificates issued under the Programme will be rated or unrated. Where a Tranche of Trust Certificates is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating(s) assigned to the Programme by any of Fitch, Moody's or S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Trust Certificates have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") or the applicable securities laws of any State or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Trustee has not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), in reliance upon the exception provided by Section 3(c)(7) thereof. The Trust Certificates may be offered and sold only (1) to a person who is a qualified institutional buyer (a "**QIB**") (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) who is also a qualified purchaser (a "**QP**") as defined in Section 2(a)(51)(A) of the Investment Company Act purchasing for its own account or the account of a QIB who is also a QP in reliance on the exemption from the registration requirements of the Securities Act of 1933, provided by Rule 144A (the "**Restricted Trust Certificates**") thereof; or (2) to non-U.S. Persons in offshore transactions in reliance on Regulation S (the "**Unrestricted Trust Certificates**"), and in each case, in accordance with any other applicable laws, regulations and directives. Prospective purchasers are hereby notified that (i) the seller of the Restricted Trust Certificates may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereof and (ii) the Trustee will not be registered under, and purchases of the Trust Certificates will not be entitled to the benefit of, the Investment Company Act. The Trust Certificates are not transferable except in accordance with the restrictions described under "*Transfer Restrictions*". Each purchaser of the Trust Certificates in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. The Trust Certificates are subject to other restrictions on resales, pledges, exchanges and other transfers. The Trust Certificates are subject to other restrictions on resales, pledges, exchanges and other transfers. See "*Subscription and Sale*" and "*Transfer Restrictions*".

The Trust Certificates will be initially represented by interests in one or more global certificates in registered form (the "**Global Trust Certificates**"). The Global Trust Certificates will either (i) be deposited with, and registered in the name of a nominee of, a common depository (the "**Common Depository**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") or (ii) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**"). Interests in the Global Trust Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC and/or Euroclear and Clearstream, Luxembourg. Definitive Trust Certificates evidencing holdings of interests in the Trust Certificates will be issued in exchange for interests in the relevant Global Trust Certificate only in certain limited circumstances described therein.

The transaction structure relating to the Trust Certificates (as described in this Base Prospectus) has been approved by the *Sharia* Supervisory Board of Alizz Islamic Bank SAOC, Citi Islamic Investment Bank E.C.—*Sharia* Advisory Board, Dar Al *Shariah*, the *Shariah* Board of advisers to Dubai Islamic Bank P.J.S.C., the Global *Shariah* Supervisory Board of Gulf International Bank B.S.C., the HSBC Global *Shariah* Supervisory Committee, Sh. Nizam Yaquby and Dr. Sh. Mohamed Elgari, the *Sharia* advisors to J.P. Morgan Securities plc, the *Fatwa* and *Sharia*'a Supervisory Board of KFH Capital Investment Company K.S.C.C. and the Global *Shariah* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Trust Certificates and should consult their own *Sharia* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Sharia* principles.

#### *Arrangers*

**Citigroup**  
**Standard Chartered Bank**

**HSBC**  
**J.P. Morgan**

#### *Dealers*

**Alizz Islamic Bank**  
**Gulf International Bank**  
**KFH Capital**

**Citigroup**  
**HSBC**  
**Standard Chartered Bank**

**Dubai Islamic Bank**  
**J.P. Morgan**

## IMPORTANT NOTICES

This document comprises a base prospectus for the purposes of Article 8 of the UK Prospectus Regulation and for the purpose of giving information with regard to the Trustee, the Government and the Trust Certificates which, according to the particular nature of the Trustee, the Government and the Trust Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial, economic, fiscal and political position, profit and losses (as applicable) and prospects of the Trustee and the Government.

The Trustee and the Government accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of each of the Trustee and the Government the information contained in this Base Prospectus is in accordance with the facts and the Base Prospectus makes no omission likely to affect the import of such information. The opinions, assumptions, intentions, projections and forecasts expressed in this Base Prospectus with regard to the Trustee and the Government are honestly held by the Trustee and the Government, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

This Base Prospectus should be read and construed together with any supplements hereto and, in relation to any Tranche of Trust Certificates, should be read and construed together with the applicable Final Terms.

Copies of Final Terms will be available from the specified office set out below of the Principal Paying Agent (as defined below) save that, if the relevant Trust Certificates are not listed on the Official List and neither admitted to trading on the Market nor offered in the United Kingdom in circumstances where a prospectus is required to be published under the Financial Services and Markets Act 2000, the applicable Final Terms will only be obtainable by a Certificateholder holding one or more Trust Certificates and such Certificateholder must produce evidence satisfactory to the Trustee or, as the case may be, the Principal Paying Agent as to its holding of such Trust Certificates and identity. See “*General Information*”.

This Base Prospectus has been prepared on the basis that any Trust Certificates with a minimum denomination of less than €100,000 (or equivalent in another currency) will (i) only be admitted to trading on a UK regulated market (as defined in UK MiFIR), or a specific segment of a UK regulated market, to which only qualified investors (as defined in the UK Prospectus Regulation) can have access (in which case they shall not be offered or sold to non-qualified investors) or (ii) only be offered to the public pursuant to an exemption under section 86 of the FSMA.

To the fullest extent permitted by law, none of the Dealers, the Arrangers (as specified under “*Overview*”), the Agents (as defined in the “*Terms and Conditions of the Trust Certificates*”) or the Delegate accepts any responsibility for the Trust Certificates, the Transaction Documents (including the effectiveness thereof) or the contents of this Base Prospectus, for any other information provided in connection with the Trustee, the Government, the Programme or any Trust Certificates issued thereunder or for any acts or omissions of the Trustee, the Government or any other person in connection with this Base Prospectus or the issue and offering of Trust Certificates under the Programme. Each Arranger, Dealer, Agent and the Delegate accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of the Trust Certificates, the Transaction Documents or this Base Prospectus or any such statement.

No person is or has been authorised by the Trustee or the Government 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 issue or sale of the Trust Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Government, the Trustee, the Delegate, the Arrangers or any Dealer.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Trust Certificates (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Government, the Trustee, the Delegate, any Arranger, any Dealer, or any Agent that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Trust Certificates should purchase any Trust Certificates. Each investor contemplating purchasing any Trust Certificates should determine for itself the relevance of the information contained in this Base Prospectus make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Government and its purchase of any Trust Certificates should be based upon such investigation as it deems necessary. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Trust Certificates constitutes an offer or invitation by or on behalf of the Government, the Trustee, the Delegate, the Arrangers, any Dealer or the Agents to any person to subscribe for or to purchase any Trust Certificates. None of the Dealers, the Arrangers, the Agents or the Delegate undertakes to review the financial condition or affairs of the Trustee or the Government during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the

Trust Certificates of any information coming to the attention of any of the Dealers, the Arrangers, the Agents or the Delegate.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Trust Certificates shall in any circumstances imply that the information contained in it concerning the Trustee or the Government is correct at any time subsequent to its date 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. This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Trust Certificates 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 Trust Certificates may be restricted by law in certain jurisdictions. The Government, the Trustee, the Delegate, the Arrangers, the Dealers and the Agents do not represent that this Base Prospectus may be lawfully distributed, or that any Trust Certificates 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 Government, the Trustee, the Delegate, the Arrangers, the Dealers or the Agents, which is intended to permit a public offering of any Trust Certificates or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Trust Certificates 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 Trust Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Trust Certificates. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Trust Certificates in the United States, the European Economic Area, the United Kingdom, the Sultanate of Oman, Kingdom of Saudi Arabia, the Kingdom of Bahrain, State of Qatar (including the Qatar Financial Centre), State of Kuwait, the United Arab Emirates (excluding the Dubai International Financial Centre), Dubai International Financial Centre, Hong Kong and Singapore (and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Trust Certificates). See “*Subscription and Sale*”.

No comment is made or advice given by the Government, the Trustee, the Delegate, the Arrangers, any Dealer or the Agents in respect of taxation matters relating to any Trust Certificates or the legality of the purchase of Trust Certificates by an investor under applicable laws.

**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 TRUST CERTIFICATES.**

The Trust Certificates are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Trust Certificates which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Trust Certificates will perform under changing conditions, the resulting effects on the value of such Trust Certificates and the impact this investment will have on the potential investor’s overall investment portfolio.

The Trust Certificates may not be a suitable investment for all investors. Each potential investor in Trust Certificates 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 advisors, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Trust Certificates, the merits and risks of investing in the Trust Certificates and the information contained in this Base Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Trust Certificates and the impact the Trust Certificates will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Trust Certificates, including where the currency of payment is different from the potential investor’s currency;
- (d) understands thoroughly the terms of the Trust Certificates and is familiar with the behaviour of any relevant indices and financial markets; and
- (e) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Generally, investment in emerging markets such as Oman is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. A prospective investor should not invest in the Trust Certificates unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Trust Certificates will perform under changing conditions, the resulting effects on the value of such Trust Certificates and the impact this investment will have on the prospective investor's overall investment portfolio. Investors are urged to consult their own legal, tax and financial advisers before making an investment. Each potential investor in the Trust Certificates must determine the suitability of that investment in own circumstances.

## NOTICE TO RESIDENTS OF OMAN

The information contained in this Base Prospectus does not constitute an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree № 18/2019) (the "**Commercial Companies Law**") or Article 3 of the Capital Market Law of Oman (Royal Decree № 80/98, as amended) nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Oman Capital Market Authority (CMA Decision 3/2016). 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, as amended) (the "**Executive Regulations**") by an entity duly licensed by the Oman Capital Market Authority to market non- Omani securities in 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.

## NOTICE TO RESIDENTS OF SINGAPORE

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise stated in the applicable Final Terms, all Trust Certificates issued or to be issued under the Programme shall be "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## NOTICE TO RESIDENTS OF THE STATE OF KUWAIT

Unless all necessary approvals from the Kuwait Capital Markets Authority (the "**KCMA**") pursuant to Law № 7 of 2010, and its executive bylaws (each as amended) together with the various resolutions, regulations, guidance principles and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing and sale of the Trust Certificates, the Trust Certificates may not be offered for sale, nor sold, in Kuwait. This Base Prospectus is not for general circulation to the public in Kuwait nor will the Trust Certificates be sold by way of a public offering in Kuwait. For the avoidance of doubt, no Trust Certificates shall be offered, marketed and/or sold in Kuwait except on a private placement basis to Professional Clients (as defined in Module 1 of the executive bylaws of Law № 7 of 2010 (each as amended)). Where the Trust Certificates are intended to be purchased onshore in Kuwait, the same may only be so purchased through a KCMA Licensed Person duly authorised to undertake such activity pursuant to Law № 7 of 2010 of Kuwait, and its executive bylaws (each as amended).

Investors from Kuwait acknowledge that the KCMA and all other regulatory bodies in Kuwait assume no responsibility whatsoever for the contents of this Base Prospectus and do not approve the contents thereof or verify the validity and accuracy of its contents. The KCMA, and all other regulatory bodies in Kuwait, assume no responsibility whatsoever for any damages that may result from relying (in whole or in part) on the contents of this Base Prospectus. Prior to purchasing any Trust Certificates, it is recommended that a prospective holder of any Trust Certificates seeks professional advice from its advisors in respect of the contents of this Base Prospectus so as to determine the suitability of purchasing the Trust Certificates.

## NOTICE TO UK RESIDENTS

Any Trust Certificates to be issued under the Programme which do not constitute “alternative finance investment bonds” (“**AFIBs**”) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the “**FSMA**”)) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, any Trust Certificates to be issued under the Programme must not be marketed in the United Kingdom to the general public and this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Base Prospectus, any Final Terms and any other marketing materials relating to the Trust Certificates is being addressed to, or directed at: (A) if the Trust Certificates are AFIBs and the distribution is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Financial Promotion Order**”); (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Trust Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons; (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the “**Promotion of CISs Order**”); (ii) persons falling within any of the categories of person described in Article 22 (high net-worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order.

Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any Final Terms or any other marketing materials in relation to the Trust Certificates.

Potential investors in the United Kingdom in any Trust Certificates which are not AFIBs are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Trust Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in any investment described in this Base Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

## NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE TRUST CERTIFICATES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF TRUST CERTIFICATES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

The Trust Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States. Trust Certificates may not be offered, sold or delivered within the United States, except in transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act.

The Trustee has not been and will not be registered as an investment company in the United States under the Investment Company Act.

The Trust Certificates are being offered and sold (i) to non-U.S. persons in offshore transactions in reliance on Regulation S and (ii) to QIBs who are also QPs in reliance on Rule 144A. Prospective purchasers are hereby notified that (A) sellers of the Restricted Trust Certificates may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A and (B) the Trustee will not be registered under, and purchases of the Trust Certificates will not be entitled to the benefit of, the Investment Company Act. Each purchaser and transferee of the Trust Certificates in making its purchase or in accepting transfer will be deemed to have made certain representations, warranties and agreements as set forth under “*Transfer Restrictions*”. In addition, each purchaser and transferee of the Trust Certificates



will agree that, other than in compliance with the purchase and transfer restrictions described under such caption, it will not offer, sell, pledge or otherwise transfer the Trust Certificates. Any transfer in breach of the transfer restriction set forth in “*Transfer Restrictions*” will be null and void *ab initio*, and will not operate to transfer any rights to any transferee. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

## **MIFID II PRODUCT GOVERNANCE / TARGET MARKET**

The Final Terms in respect of any Trust Certificates will include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Trust Certificates and which channels for distribution of the Trust Certificates are appropriate. Any person subsequently offering, selling or recommending the Trust Certificates (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, “**MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Trust Certificates (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Trust Certificates is a manufacturer in respect of such Trust Certificates, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

## **UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET**

The Final Terms in respect of any Trust Certificates will include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Trust Certificates and which channels for distribution of the Trust Certificates are appropriate. Any person subsequently offering, selling or recommending the Trust Certificates (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own manufacturers’ target market assessment in respect of the Trust Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Trust Certificates is a manufacturer in respect of such Trust Certificates, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

## **VOLCKER RULE**

The Trustee may be deemed to be a “covered fund” for purposes of Section 13 of the Bank Holding Company Act of 1956, as amended (in particular, by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act 2010), and any implementing regulations and related guidance (the “**Volcker Rule**”). Further, the Trust Certificates may constitute an “ownership interest” for purposes of the Volcker Rule. As a result, the Volcker Rule may, subject to certain exemptions, prohibit certain banking institutions from, directly or indirectly, acquiring or retaining the Trust Certificates. This prohibition may adversely affect the liquidity and market price of the Trust Certificates. In addition, any entity that is a “banking entity” under the Volcker Rule and is considering an investment in the Trust Certificates should consider the potential impact of the Volcker Rule in respect of such investment and on its portfolio generally.

## **NOTICE TO BAHRAIN RESIDENTS**

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

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law № 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 Trust Certificates 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 the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of 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 Trust Certificates to be offered for investment, whether in or outside the Kingdom of 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 Trust Certificates will be made to the public in the Kingdom of 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 RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on The Offer of Securities and Continuing Obligations 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 Trust Certificates issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Trust Certificates. If you do not understand the contents of this Base Prospectus, you should consult an authorised financial adviser.

## **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

Any Trust Certificates to be issued under the Programme will not be offered or sold 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 in accordance with their regulations or any other regulations in Qatar. The Trust Certificates are not and will not be traded on the Qatar Stock Exchange. The Trust Certificates and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in Qatar under the Commercial Companies Law № (11) of 2015 or otherwise under the laws of Qatar.

## **STABILISATION**

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF TRUST CERTIFICATES, THE DEALER OR DEALERS (IF ANY) NAMED AS STABILISING MANAGER(S) (OR ANY PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT TRUST CERTIFICATES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE TRUST CERTIFICATES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF TRUST CERTIFICATES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF TRUST CERTIFICATES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## PRESENTATION OF ECONOMIC AND OTHER INFORMATION

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be the sum of the figures which precede them. Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies and ministries of the Trustee, including the Central Bank of Oman (the “CBO”), the Ministry of Finance, the National Centre for Statistics & Information (the “NCSI”) and the Ministry of Energy and Minerals. Some statistical information has also been derived from information publicly made available by third parties such as the International Monetary Fund. Where such third-party information has been so sourced, the source is stated where it appears in this Base Prospectus. The Trustee confirms that it has accurately reproduced such information and that, so far as it is aware and is able to ascertain from information published by third parties, it has omitted no facts which would render the reproduced information inaccurate or misleading.

Similar statistics may be obtainable from other sources, but the date of publication, underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. In addition, statistics and data published by one ministry or agency may differ from similar statistics and data produced by other agencies or ministries due to differing underlying assumptions, methodology or timing of when such data is reproduced. Certain historical statistical information contained herein is provisional or otherwise based on estimates that Oman and/or its agencies believe to be based on reasonable assumptions. Oman’s official financial and economic statistics are subject to internal review as part of a regular confirmation process. Accordingly, the financial and economic information set out in this Base Prospectus may be subsequently adjusted or revised and may differ from previously published financial and economic information. While Oman does not expect such revisions to be material, no assurance can be given that material changes will not be made.

Information contained herein that is identified as being derived from a publication of Oman or one of its agencies or instrumentalities is included herein on the authority of such publication as an official public document of Oman. All other information contained herein with respect to Oman is included as an official public statement made on the authority of the Minister of Finance of the Government of Oman.

References to any individual period such as 2017 and so on are references to a calendar year commencing on 1 January and ending on 31 December in the same year. All references in this document to “OMR”, “Omani Rials” and “Baisa” are to the currency of Oman; to “U.S. Dollars” and “U.S.\$” are to the currency of the United States of America. For ease of presentation, certain financial information relating to Oman included herein is presented as translated into U.S. Dollars at the U.S. Dollar/OMR rates of exchange deemed appropriate by Oman. Unless otherwise specified, such rates were applicable as of the end of such specified period(s). Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted into U.S. dollars at that or any other rate. References to “SDR” are to the Special Drawing Right, a unit of account having the meaning ascribed to it from time to time by the Rules and Regulations of the IMF. References in this document to “billions” are to thousands of millions. References to the “Government” are to the government of Oman. References to “Oman” are to the Sultanate of Oman.

## AVAILABLE INFORMATION

The Trustee has agreed that, for so long as any Trust Certificates are “restricted securities” as defined in Rule 144(a)(3) under the Securities Act, it will, during any period that it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor a foreign government as defined in Rule 405 eligible to register securities under Schedule B of the Securities Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, upon request, to any holder or beneficial owner of Trust Certificates or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

## EXCHANGE RATES

The Omani Rial is pegged to the U.S. Dollar at OMR 0.3845 = U.S.\$1.00. See “Monetary Policy and Financial System—Exchange Rate Policy”.

# JURISDICTION AND ENFORCEMENT

## The Obligor

### *Immunity from suit*

The Obligor is the Government of the Sultanate of Oman represented by the Ministry of Finance. Under Omani law, no legal person in Oman is immune from suit. Further, any sovereign immunity of the Trustee, the Obligor and its administrative units (including quasi-governmental entities) from process before the Oman courts was abrogated by Royal Decree № 13/1997 and any claims in relation to contracts to which the Trustee and/or the Obligor is a party may now be brought before the Oman courts. This position is confirmed by the Law of Civil and Commercial Procedures promulgated by Royal Decree № 29/2002, as amended (the “**Oman Civil and Commercial Procedure Law**”) which, pursuant to its Article 13, confirms where a summons may be delivered to departments of the state and public bodies and Article 46 which confirms that suits against departments of state and public authorities and public bodies shall be filed before the Court within whose jurisdiction their head offices are situated.

### *Immunity of public assets from attachment*

Although no governmental entities are immune from suit, public assets and private assets owned by government entities are protected from attachment in the event of legal proceedings against the Trustee, the Government or quasi-governmental entities pursuant to Article 366 of the Oman Civil and Commercial Procedure Law. Article 366 of the Oman Civil and Commercial Procedure Law provides that “*attachments shall not be imposed on public and private assets of the state, its authorities, public establishments and likewise*”. This position was reinforced by the recent Civil Transactions Law (promulgated by Royal Decree № 29/2013) which, at Article 56, provides that immovable or movable assets owned by the state or public legal persons who have been allocated such assets for public benefit by virtue of law or by a Royal Decree or by a decision of the Minister of Finance, shall be deemed to be public assets and such assets shall not be the subject of dispositions, attachment or acquisitive prescription.

Assets of the Government or the Trustee which are not deemed to be public assets of the Government or the Trustee pursuant to Omani law also include those assets for the time being in use or intended for use for the purpose of, without limitation, the following transactions or activities:

- (a) any contract for the supply of goods and services and deposits or revenues therefrom;
- (b) any loan or other transaction for the provision of finance and any indemnity or guarantee relating thereto or of any other financial obligation entered into by the Government or the Trustee; and
- (c) any other transaction or activity of any commercial nature entered into or engaged in by the Government or the Trustee,

**provided, however, that** assets which can be characterised as: (A) “premises of the mission” as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or “consular premises” as such term is defined in the Vienna Convention on Consular Relations signed in 1963; (B) military or defence assets of the Sultanate of Oman for military or defence use by the Sultanate of Oman; or (C) assets used for public or governmental services (as opposed to commercial use) by the Sultanate of Oman, shall not, in any circumstances, constitute commercial assets. Assets designated by the government of Oman as “Cultural Heritage” (as defined in Royal Decree № 36/1998) do not constitute commercial assets, but may be used for investment purposes if so authorised by the Ministry of Heritage and Culture as per Articles 19 and 20 of Royal Decree № 36/1998.

## **Enforcement of Arbitral Awards in Oman**

Foreign arbitral awards may be enforced in Oman pursuant to: (i) treaty obligations or (ii) the Oman Civil and Commercial Procedure Law.

Oman has acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (by way of Royal Decree № 36/1998) (the “**New York Convention**”) and ratified the Riyadh Arab Convention of 1983 (Royal Decree № 34/1999) (the “**Riyadh Convention**”). Although Oman has been a party to the New York Convention since 1998 each of the Trustee and the Obligor is aware of only one case which has come before the Supreme Court of Oman in 2011 in relation to the enforcement of a foreign arbitral award issued by a contracting state. Whilst in that case the Supreme Court of Oman held that the arbitral award was recognised and enforceable in Oman, it should be noted that there is no doctrine of binding precedent under Omani law, although decisions of the Supreme Court of Oman may be persuasive. Each of the Trustee and the Obligor has no reason to believe, however, that the courts of Oman would not

enforce an arbitral award passed in a contracting state (without the need to re-examine or re-litigate), subject only to no valid argument being raised that the enforcement of that arbitral award should be refused on one or more of the grounds set out in Article V of the New York Convention, or that the subject matter of the award is against public order or morality in Oman. However, the enforcement in Oman of any of the obligations of any party under the Trust Certificates or any of the Transaction Documents (as defined in the Terms and Conditions), will ultimately require an order for enforcement by the courts of Oman, which order is subject to discretion, including as to the manner in which such court would interpret and apply the New York Convention.

If the foreign arbitral award is not enforceable pursuant to a treaty obligation (for example, an award is passed in a country that is not a signatory to the New York Convention or Riyadh Convention), it may nevertheless be possible to enforce such award in Oman subject to the satisfaction of the conditions set out in Articles 352 to 355 of the Oman Civil and Commercial Procedure Law. In accordance with Article 352 of the Oman Civil and Commercial Procedure Law, the courts of Oman possess an inherent jurisdiction to enforce foreign awards. When considering the enforcement of arbitral awards in the above circumstances, the courts of Oman will need to be satisfied that the following conditions have been met (reading “judgment” as “award”):

- it is passed by a competent judicial authority in accordance with the international jurisdiction rules applicable in the country in which the judgment or order is passed, and becomes final according to that law and was not grounded on deception;
- the parties to the dispute were summoned to appear and were properly represented;
- it does not include any requests, the basis of which breaches the laws enforced in Oman;
- it does not contradict any judgment or order previously issued by the courts of Oman, and it does not include anything contravening public order or morals;
- the country in which the said judgment or award was signed accepts the execution of judgments of courts of Oman within its territories; and
- the matter that has been arbitrated upon in the foreign jurisdiction is capable of being determined by arbitration under Omani law (Article 353).

In the event that the conditions of Articles 352 to 355 of the Oman Civil and Commercial Procedure Law are not met by a foreign arbitral award, such foreign arbitral award may be of evidentiary value only in a full hearing before the courts of Oman and the matter may have to be litigated de novo before the courts of Oman.

### **Enforcement of Foreign Judgments in Oman**

Foreign judgments may be enforced in Oman pursuant to: (i) treaty obligations; or (ii) the Oman Civil and Commercial Procedure Law. The only treaties of note are the Gulf Cooperation Council (“GCC”) Treaty for the Enforcement of Judgments, Judicial Delegation and Court Summons signed in 1996 (the “AGCC Protocol”) and the Riyadh Convention.

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 Oman Civil and Commercial Procedure Law being met, neither the Trustee nor the Obligor is aware of a foreign (*i.e.*, non-Omani and non-Arab GCC) judgment ever having been enforced in Oman. In the absence of the conditions set out in Articles 352 to 355 of the Oman Civil and Commercial Procedure Law being met, an English or U.S. judgment against the Trustee and/or the Obligor would not be enforced by the courts of Oman without a re-examination of the merits and the English or U.S. judgment, as applicable, may be of evidential value only in any such proceedings filed before the Courts of Oman.

If any proceedings were brought in Oman (whether in connection with the enforcement of an English or U.S. judgment or otherwise), pursuant to the Civil Transactions Law (Royal Decree № 29/3013) (the “Civil Code”), the courts of Oman would recognise and give effect to the choice of English law if it is the governing law, unless any provision of English law were considered to be contrary to a mandatory provision of Omani law, public order or morality or Islamic *Sharia* principles.

If enforcement of the Trust Certificates were sought before the courts of Oman, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Trust Certificates would be interpreted and applied by those courts and whether all of the provisions of the Trust Certificates would be enforceable.

Oman is a civil law jurisdiction. Court judges enjoy much greater freedom to interpret agreements in any way which, in their opinion, correctly reflects the intention of the parties if the terms of the relevant agreement are ambiguous. The judge's interpretation can extend to amending the contract, if the judge feels that to do so would better reflect the original intention of the parties.

It is to be noted that no established system of precedent is adhered to by the courts of Oman although decisions of the Supreme Court of Oman should be persuasive. If enforcement of the Trust Certificates were sought 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 Trust Certificates would be interpreted and applied by those courts and whether all of the provisions of the Trust Certificates would be enforceable.

## **FORWARD-LOOKING STATEMENTS**

Some of the statements contained in this Base Prospectus constitute forward-looking statements. Statements that are not historical facts are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue", "could", "should", "would" or similar terminology. These statements are based on the Trustee's current plans, objectives, assumptions, estimates and projections. Investors should therefore not place undue reliance on those statements. Forward-looking statements speak only as of the date that they are made and the Trustee does not undertake to update any forward-looking statements in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. The Trustee cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. In addition to the factors described in this Base Prospectus, including those discussed under "*Risk Factors*", the following factors, among others, could cause future results to differ materially from those expressed in any forward-looking statements made in this Base Prospectus:

- Oman's economy, public finances and society have been affected by the COVID-19 pandemic, which is ongoing and unpredictable;
- Oman's economy and public finances are significantly affected by volatility in international oil prices;
- Oman is located in a region that has been subject to ongoing political and security concerns;
- Oman's efforts to diversify its economy, decrease government spending and implement more extensive and higher rates of tax collection may not be successful;
- Oman's credit ratings may change and any ratings downgrade could adversely affect the value of Trust Certificates;
- any future borrowing beyond sustainable levels could have a material adverse effect on Oman's economy and its ability to service its debt, including the Trust Certificates;
- Oman's economy and growth could be affected by Omani political considerations and succession planning risks;
- a global economic downturn, instability in international financial markets or other negative external economic shocks could have an adverse effect on Oman's economy;
- Oman's wholly-owned companies are not consolidated in its fiscal accounts and many of these companies are exposed to global economic trends;
- investing in securities involving emerging markets countries, such as Oman, generally involves a higher degree of risk than investments in securities of issuers from more developed countries;
- any adjustment to, or ending of, Oman's currency peg could negatively affect Oman;
- statistical data contained in this Base Prospectus should be treated with caution by prospective investors;
- information on oil and gas reserves is based on estimates that have not been reviewed by an independent consultant for the purposes of this offering;

- the extensive production, processing, storage and shipping of hydrocarbons in Oman subjects it to risks associated with hazardous materials;
- the Oman legal system continues to develop, and this may create an uncertain environment for investment and business activity;
- changes in capital markets conditions in general may affect policies or attitudes towards lending to Oman or Omani companies;
- unanticipated movements or volatility in interest rates, foreign exchange rates, or other rules or prices;
- inflation or deflation;
- unemployment; and
- changes in, or Oman's failure to comply with, Omani and foreign laws and regulations.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents, which have previously been published will be incorporated by reference herein:

- the Terms and Conditions of the Trust Certificates contained on pages 111 to 157 (inclusive) in the base prospectus dated 4 October 2018 prepared by the Trustee and the Government in connection with the Programme (available at [https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/Base+Prospectus\\_914bd3e5-b110-474b-8de1-6c2ef9fc6548.pdf](https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/Base+Prospectus_914bd3e5-b110-474b-8de1-6c2ef9fc6548.pdf)); and
- the Terms and Conditions of the Trust Certificates contained on pages 108 to 151 (inclusive) in the base prospectus dated 16 May 2017 prepared by the Trustee and the Government in connection with the Programme (available at [https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/FBaseProspectus\\_c3e48126-937f-4afd-93b4-6a72d9e18e27.pdf](https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/FBaseProspectus_c3e48126-937f-4afd-93b4-6a72d9e18e27.pdf)).

Copies of the documents incorporated by reference in this Base Prospectus can be obtained from specified office of the Principal Paying Agent (at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom).

Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is included elsewhere in this Base Prospectus.

Such documents shall be incorporated in and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. Following the publication of this Base Prospectus, a supplement may be prepared by the Trustee and the Government and approved by the FCA in accordance with Article 23 of the UK Prospectus Regulation. 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.

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

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## OVERVIEW OF THE PROGRAMME

This Overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) № 2019/980 as it forms part of domestic law by virtue of the EUWA.

Words and expressions defined in the “*Terms and Conditions of the Trust Certificates*”, (the “**Conditions**”) shall have the same meanings in this overview.

<b>Issuer, Trustee, Purchaser, Seller and Lessor</b> .....	Oman Sovereign Sukuk S.A.O.C. (registered in Oman with commercial registration number 1225873)
<b>Obligor, Seller, Lessee, Buyer, Servicing Agent and the Government</b> .....	The Government of the Sultanate of Oman represented by the Ministry of Finance (the “ <b>Government</b> ”).
<b>Ownership of the Trustee</b> .....	Oman Sovereign Sukuk S.A.O.C. is an Omani closed joint stock company wholly-owned by or on behalf of the Government.
<b>Arrangers</b> .....	Citigroup Global Markets Limited HSBC Bank plc J.P. Morgan Securities plc Standard Chartered Bank
<b>Dealers</b> .....	Alizz Islamic Bank SAOC Citigroup Global Markets Limited Dubai Islamic Bank P.J.S.C. Gulf International Bank B.S.C. HSBC Bank plc J.P. Morgan Securities plc KFH Capital Investment Company K.S.C.C. Standard Chartered Bank  <i>and any other Dealers appointed in accordance with the Dealer Agreement</i>
<b>Delegate</b> .....	The Law Debenture Trust Corporation p.l.c.
<b>Registrar</b> .....	Citigroup Global Markets Europe AG
<b>Principal Paying Agent and Transfer Agent</b> .....	Citibank N.A., London Branch.
<b>Calculation Agent</b> .....	Citibank N.A., London Branch (or such other institution specified in the applicable Final Terms).
<b>Negative Pledge</b> .....	The terms of the Trust Certificates will contain a negative pledge provision, as further described under “ <i>Negative Pledge</i> ” in the Conditions.
<b>Cross-default</b> .....	In respect of the Government, the Trust Certificates will have the benefit of a cross-default provision, as described in subparagraph (c) of the definition of “ <i>Government Event</i> ” corresponding thereto (contained in the Conditions).
<b>Status of the Trust Certificates</b> .....	Each Trust Certificate evidences an undivided ownership interest in the Trust Assets subject to the terms of the Trust Deed and the Conditions and is a limited recourse obligation of the Trustee. Each Trust Certificate ranks <i>pari passu</i> , without any preference or priority, with all other Trust Certificates.

The payment obligations of the Government (acting in all its capacities) under the Transaction Documents are direct, unconditional and (subject to the negative pledge provisions described in Condition 4.2) unsecured obligations of the Government and rank and (subject to the negative pledge provisions described in Condition 4.2) will rank *pari passu*, without any preference among themselves, with all Relevant Indebtedness of the Government, from time to time outstanding, **provided, further, that** the Government shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Relevant Indebtedness and, in particular, shall have no obligation to pay other Relevant Indebtedness at the same time or as a condition of paying sums due on the Trust Certificates and *vice versa*.

**Meetings of Certificateholders**.....

The Conditions contain a “collective action” clause which permits defined majorities to bind all Certificateholders.

If the Trustee issues future securities which contain collective action clauses in substantially the same form as the collective action clause in the Conditions, the Trust Certificates would be capable of aggregation with any such future securities. See “*Risk Factors—Risk factors relating to the Trust Certificates—The Conditions contain a “collective action” clause under which the terms of any one Series of Trust Certificates or multiple Series of Trust Certificates may be amended, modified or waived without the consent of all Certificateholders*”.

**Further Issues** .....

The Trustee may from time to time, without notice or the consent of Certificateholders, issue additional securities which may form a single series with the outstanding Trust Certificates, subject to certain conditions set out in “*Further Issues*” in the Conditions.

On the relevant Issue Date of any additional Tranche of Trust Certificates issued in accordance with the provisions described above, the Government (in its capacity as seller) and the Trustee (in its capacity as purchaser) will enter into a Supplemental Purchase Agreement for the sale, transfer and conveyance of the relevant assets described in the schedule thereto (the “**Additional Asset(s)**”). The Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the relevant existing Trust Certificates and the holders of such additional Trust Certificates so created and issued, declaring that the relevant Additional Asset(s) and the Relevant Lease Asset(s) in respect of the relevant Series as in existence immediately prior to the creation and issue of the additional Trust Certificates is/are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of such existing Trust Certificates and the holders of such additional Trust Certificates.

**Use of Proceeds** .....

The net proceeds of each Tranche of Trust Certificates issued under the Programme will be paid by the Trustee (in its capacity as purchaser) on the Issue Date to or to the order of the Government (in its capacity as seller) as the purchase price for: (i) in relation to the first Tranche of each Series, the assets described in the Schedule to the relevant Supplemental Purchase Agreement (the “**Asset(s)**”); or (ii) in relation to any additional Tranche of Trust Certificates issued pursuant to “*Further Issues*” in the Conditions, the Additional Asset(s), in

each case, pursuant to the relevant Purchase Agreement (and as defined therein).

The amounts subsequently received by the Government in consideration for the transactions entered into with the Trustee as set out above, will be applied by the Government for its general budgetary purposes. If there is a particular identified use of proceeds, it will be stated in the applicable Final Terms.

<b>Risk Factors</b> .....	There are certain factors that may affect the Trustee’s and Government’s ability to fulfil its obligations under the Trust Certificates. See “ <i>Risk Factors</i> ”.
<b>Programme Size</b> .....	The Programme size is unlimited, subject to the annual state budget, any other statutory or other budgetary limitations on incurring indebtedness imposed from time to time and compliance with all statutory and other approvals required in connection with the issuance of Trust Certificates under the Programme or otherwise.
<b>Issuance in Series</b> .....	Trust Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Trust Certificates of each Series will 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 Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue.
<b>Distribution</b> .....	Trust Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies</b> .....	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Trustee, the Government and the relevant Dealer(s).
<b>Maturities</b> .....	The Trust Certificates will have such maturities as may be agreed between the Trustee, the Government and the relevant Dealer(s), 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 Trustee, the Government or the relevant Specified Currency.
<b>Denominations</b> .....	The Trust Certificates will be issued in such denominations as may be agreed between the Trustee, the Government and the relevant Dealer(s), save that: (i) the minimum denomination of each Trust Certificate 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 Specified Currency; (ii) the minimum denomination of each Trust Certificate admitted to trading on a UK regulated market (as defined in UK MiFIR) or offered to the public in the United Kingdom in circumstances which require the publication of a prospectus under the FSMA, will be at least €100,000 (or, if the Trust Certificates are denominated in a currency other than euro, the equivalent amount in such currency, as calculated on the date of issue of the Trust Certificates (the “ <b>Issue Date</b> ” of the relevant Tranche) or, in the case of Trust Certificates to be admitted to trading only on a UK regulated market, or a specific segment of a UK regulated market, to which only qualified investors (as defined in the FSMA, as applicable) have access, €1,000 (or, if the Trust Certificates are denominated in a

currency other than euro, the equivalent amount in such currency, as calculated on the Issue Date of the Trust Certificates); and (iii) unless otherwise permitted by such current laws and regulations, Trust Certificates (including Trust Certificates denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or, if the Trust Certificates are denominated in a currency other than sterling, the equivalent amount in such currency, as calculated on the Issue Date of the relevant Tranche).

<b>Issue Price</b> .....	Trust Certificates may be issued at any price on a fully paid basis, as specified in the applicable Final Terms. The price and amount of Trust Certificates to be issued under the Programme will be determined by the Trustee, the Government and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>Form of Trust Certificates</b> .....	The Trust Certificates will be issued in registered form, as described in “ <i>Form of the Trust Certificates</i> ”.
<b>Clearing Systems</b> .....	Certificateholders must hold their interest in the relevant Global Trust Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg and/or DTC and in relation to any Series, such other clearing system in which the relevant Global Trust Certificate is held. Transfers within and between each of Euroclear or Clearstream, Luxembourg and/or DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system.
<b>Periodic Distributions</b> .....	Trust Certificates shall be redeemed on the Scheduled Dissolution Date at the relevant Final Dissolution Amount specified in the applicable Final Terms.
<b>Optional Dissolution</b> .....	If so specified in the applicable Final Terms, a Series of Trust Certificates may be redeemed prior to its Scheduled Dissolution Date at the Optional Dissolution (Call) Amount or the Clean Up Call Dissolution Amount, as applicable, in the circumstances set out in “ <i>Terms and Conditions of the Trust Certificates—Dissolution at the Option of the Government (Optional Dissolution Call Right)</i> ” or “ <i>Terms and Conditions of the Trust Certificates—Dissolution at the Option of the Government (Clean Up Call Right)</i> ”, as applicable.
<b>Dissolution Events</b> .....	Upon the occurrence of any Dissolution Event, the Trust Certificates may be redeemed on the Dissolution Event Redemption Date at the Dissolution Event Amount, as described in “ <i>Terms and Conditions of the Trust Certificates—Dissolution Events</i> ”.
<b>Certificateholder Put Right</b> .....	If so specified in the applicable Final Terms, Certificateholders may, in the circumstances set out in “ <i>Terms and Conditions of the Trust Certificates—Dissolution at the Option of the Certificateholders</i> ” elect to redeem their Trust Certificates on any Certificateholder Put Right Date(s), <b>provided that</b> such date is a Periodic Distribution Date, unless otherwise specified in the applicable Final Terms at the applicable Optional Dissolution Amount (Put) specified in, or determined in the manner specified in, the applicable Final Terms together with

all accrued and unpaid Periodic Distribution Amounts in accordance with Condition 11.4.

**Total Loss Event** .....

Save where the Relevant Lease Asset(s) is/are replaced in accordance with the Servicing Agency Agreement by no later than the 30th day after the occurrence of a Total Loss Event, the occurrence of a Total Loss Event will result in the redemption of the Trust Certificates of that Series and the consequent dissolution of the relevant Trust no later than the 31st day after the occurrence of such Total Loss Event (being the Total Loss Dissolution Date).

If a Total Loss Event occurs the Servicing Agent shall be responsible for ensuring that all proceeds of Insurances in respect thereof (if any) are each paid in the Specified Currency directly into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event.

If a Total Loss Event occurs and the Relevant Lease Asset(s) is/are not replaced as discussed above, and the amount of the proceeds of Insurances (if any) credited to the Transaction Account is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount credited to the Transaction Account being the “**Total Loss Shortfall Amount**”), the Servicing Agent shall be responsible for paying the Total Loss Shortfall Amount directly into the Transaction Account by no later than close of business in London on the 30th day after the Total Loss Event has occurred, such that the amount standing to the credit of the Transaction Account on the Total Loss Dissolution Date represents the aggregate of the proceeds of Insurances payable in respect of a Total Loss Event (if any) and the Total Loss Shortfall Amount payable by the Servicing Agent in accordance with the terms of the Servicing Agency Agreement.

Rental payments under the Lease Agreement shall cease to accrue with effect from the date on which a Total Loss Event occurs, and no additional rental payment shall be made in respect of the period between the date on which the Total Loss Event occurred and the Total Loss Dissolution Date.

**Cancellation of Trust Certificates held by the Trustee, the Government and/or any other public sector instrumentality** .....

The Trustee, the Government of the Sultanate of Oman, the Ministry of Finance and/or any other public sector instrumentality of the Government of the Sultanate of Oman (as defined in “*Terms and Conditions of the Trust Certificates—Meetings of Certificateholders; Written Resolutions*”) may at any time purchase Trust Certificates at any price in the open market or otherwise. Following any purchase of Trust Certificates, the Trustee, the Government of the Sultanate of Oman, the Ministry of Finance and/or any other public sector instrumentality of the Government of the Sultanate of Oman, as the case may be, may at its option hold or resell such Trust Certificates.

Should the Government wish to cancel any Trust Certificates so purchased, it shall deliver a Cancellation Notice to the Trustee (in accordance with the Sale and Substitution Undertaking) whereupon the Trustee shall, in accordance with the terms of the Sale and Substitution Undertaking, be obliged

to transfer all of the Trustee's rights, title and interests in, to and under the Cancelled Lease Asset(s) to the Government.

The Government (as purchaser) and the Trustee (as seller) shall enter into a Sale Agreement in the form scheduled to, and pursuant to, the Sale and Substitution Undertaking.

**Substitution of Lease Asset(s)** .....

Pursuant to the Sale and Substitution Undertaking, the Government may, at any time, exercise its right to require the Trustee to substitute on any Substitution Date some or all of the Relevant Lease Asset(s) with New Asset(s) (as specified in the relevant Substitution Notice, and each as defined in the Sale and Substitution Undertaking) having a value which is equal to or greater than the value of the Relevant Lease Asset(s) being substituted.

**Withholding Tax** .....

All payments by the Government (in its capacity as lessee) under a Lease Agreement shall be made in the Specified Currency without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction unless the withholding or deduction is required by law. In that event, the Government (as lessee) shall be required to pay such additional amounts as will result in the receipt by the Trustee (as lessor) of such amounts as would have been received by it, had no such deduction or withholding been required.

All payments in respect of Trust Certificates shall be made in the Specified Currency without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction, unless the withholding or deduction is required by law. For further information, see "Public Finance—Taxation—Withholding Tax". In that event, the Trustee shall, save in the limited circumstances provided in "Terms and Conditions of the Trust Certificates—Taxation", be required to pay such additional amounts as will result in the receipt by the Certificateholders of such amounts as would have been received by them, had no such withholding or deduction been required.

**Ratings** .....

The Programme has been rated BB- by Fitch and Ba3 by Moody's.

Oman has been assigned a long-term and local currency sovereign credit rating of B+ by S&P with a stable outlook, a long-term issuer rating of Ba3 by Moody's with a negative outlook and a long-term issuer rating of BB- by Fitch with a negative outlook.

The ratings assigned to each Series of Trust Certificates to be issued under the Programme will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold the Trust Certificates (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Whether or not each credit rating applied for in relation to the relevant Series of Trust Certificates will be issued by a credit rating agency established in the European Union or the United Kingdom and registered under Regulation (EC) № 1060/2009 (as amended) or Regulation (EC) № 1060/2009 as it forms part of domestic

law by virtue of the EUWA, will be disclosed in the applicable Final Terms.

**Listing and admission to trading** .....

Application has been made to the FCA for Trust Certificates 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 to the London Stock Exchange for such Trust Certificates to be admitted to trading on the Market.

Trust Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee, the Government and the relevant Dealer(s) in relation to the relevant Series. Trust Certificates 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 Trust Certificates are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**Governing Law and Jurisdiction** .....

The Trust Certificates will be governed by, and construed in accordance with, English law.

The Master Trust Deed, each Supplemental Trust Deed, the Dealer Agreement, each Subscription Agreement, the Agency Agreement, the Servicing Agency Agreement, the Purchase Undertaking and the Sale and Substitution Undertaking will be governed by English law. In respect of any dispute under any such Transaction Document to which it is a party, the Government has consented to arbitration in London under the rules of arbitration of the LCIA (with the seat in London).

The Master Purchase Agreement, each Supplemental Purchase Agreement, the Master Lease Agreement, each Supplemental Lease Agreement and each Sale Agreement will be governed by the laws of the Sultanate of Oman. The Government has consented to arbitration in London under the rules of arbitration of the LCIA (with the seat in London).

**Waiver of Immunity** .....

Each of the Government and the Trustee irrevocably and unconditionally agrees to waive all immunity it or its assets or revenues may otherwise have in any jurisdiction. Each of the Government and the Trustee irrevocably and unconditionally waives such immunity and/or the claim of immunity in respect of:

the giving of any relief or the issue of any process, including without limitation, by way of injunction or order for specific performance or for the recovery of assets or revenues or damages or otherwise; and

the issue of any process including, without limitation, the making, enforcement or execution against its property, assets or revenues (irrespective of its use or intended use) for the enforcement of a judgment made or given in respect of any proceedings, or in action in rem, for the arrest, detention or sale of any property, assets and revenues,

**provided that** nothing shall prevent the Government or the Trustee from claiming immunity in respect of (a) pre-judgment attachment or any analogous proceedings; or (b) enforcement

proceedings, which seek to execute against non-commercial (or public) assets of the Government or the Trustee.

“**commercial assets**” are those assets of the Government or the Trustee which are not deemed to be public assets of the Government or the Trustee pursuant to Omani law and which include those assets for the time being in use or intended for use for the purpose of, without limitation, the following transactions or activities:

- (a) any contract for the supply of goods and services and deposits or revenues therefrom;
- (b) any loan or other transaction for the provision of finance and any indemnity or guarantee relating thereto or of any other financial obligation entered into by the Government or the Trustee; and
- (c) any other transaction or activity of any commercial nature entered into or engaged in by the Government or the Trustee,

provided, however, that assets which can be characterised as: (A) “premises of the mission” as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or “consular premises” as such term is defined in the Vienna Convention on Consular Relations signed in 1963; (B) military or defence assets of the Sultanate of Oman for military or defence use by the Sultanate of Oman; or (C) assets used for public or governmental services (as opposed to commercial use) by the Sultanate of Oman, shall not, in any circumstances, constitute commercial assets. Assets designated by the government of Oman as “Cultural Heritage” (as defined in Royal Decree № 36/1998) do not constitute commercial assets, but may be used for investment purposes if so authorised by the Ministry of Heritage and Culture as per Articles 19 and 20 of Royal Decree № 36/1998.

**Selling Restrictions .....**

There are restrictions on the offer, sale and transfer of the Trust Certificates in the United States, the European Economic Area, the United Kingdom, the Sultanate of Oman, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), the State of Kuwait, the United Arab Emirates (excluding the DIFC), the Dubai International Financial Centre, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Trust Certificates, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

**U.S. Selling Restrictions .....**

There are restrictions on the transfer of the Trust Certificates sold pursuant to Regulation S, Category 2 and Rule 144A. See “*Subscription and Sale*” and “*Transfer Restrictions*”.



## OVERVIEW OF THE SULTANATE OF OMAN

*This overview must be read as an introduction to this Base Prospectus, and any decision to invest in the Trust Certificates should be based on a consideration of this Base Prospectus as a whole. Where a claim relating to the information contained in this Base Prospectus is brought before a court in an EEA Member State or the United Kingdom, the plaintiff may, under the national legislation of the EEA Member State or the United Kingdom where the claim is brought, be required to bear the costs of translating this Base Prospectus before the legal proceedings are initiated.*

### **Political Developments**

The Sultanate of Oman is the oldest independent state in the Arab world and is located in the Middle East, at the south eastern coast of the Arabian Peninsula. The country's northern coastline crosses the confluence of the Persian Gulf and the Gulf of Oman, and its south-eastern and southern coastlines are surrounded by the Arabian Sea. The country has a population of approximately five million, reflecting an annual growth rate of 3.0%, according to data published by the World Bank in 2019.

Oman has been ruled by the Al Said family dynasty, an Islamic absolute monarchy in which succession, in the form of a Sultanate, passes to a male descendant of Sayyid Turki bin Said bin Sultan, since 1744. The Sultan is the Head of State and the Supreme Commander of the Armed Forces, and his powers range from the protection of sovereignty and the rights of its citizens, through to issuing and ratifying laws, signing treaties, and promulgating primary legislation (as Royal Decrees). The Council of Ministers, who implement the general State policies for the economic, social, and administrative development of the State, submit recommendations to the Sultan proposing draft laws and decrees. The Sultan presides over the Council sessions, or will authorise a person to act as Chairman. The Sultan may also appoint a Prime Minister to preside over the Council sessions, determining his competences and powers by Royal Decree. Together with the Deputy Prime Minister, the Council of Ministers, and any specialised councils, all of whom being appointed and having their powers determined by Royal Decree, the Prime Minister will implement the general policy of the Government. There are no political parties in Oman, so every political candidate elected is independent and non-partisan. See "*The Sultanate of Oman—Organisational Structure of the Government*".

Sultan Qaboos bin Said Al Said, who passed away at the age of 79 on 10 January 2020 as the Arab world's longest-serving ruler, had previously ruled the Sultanate since 23 July 1970 when he overthrew the then-Sultan, his father, in a British-assisted bloodless coup. Sultan Qaboos' 50-year rule was marked by the move away from his father's more traditional, conservative leadership, establishing a program of political and social modernisation. Sultan Qaboos aimed to utilise the country's oil revenue to develop the country's infrastructure, including building roads, hospitals, airports, a telecommunications network, and universities, to increase the standard of living of the country's citizens. At the same time, Sultan Qaboos acted to dissolve the Sultanate's internal divisions, and to end the country's international isolation to broaden its global political influence. To signify the unity of the country, its name was changed from the Sultanate of Muscat and Oman to the Sultanate of Oman, and the Omani Rial established as the national currency, replacing the Indian rupee and Maria Theresa thaler. During his rule, Sultan Qaboos pursued a neutral political path, creating allies in both the Western and Arabic-world, simultaneously sustaining close relations with its neighbour Iran.

On 11 January 2020, the 65 year old Haitham bin Tarik Al Said succeeded to the throne as Sultan of Oman following the death of his cousin, Sultan Qaboos. His Majesty Sultan Haitham bin Tarik is expected to continue Sultan Qaboos' program of modernisation and of international diplomacy, whilst focusing on economic and social reform.

In August 2020, His Majesty Sultan Haitham bin Tarik Al Said issued a series of 28 Royal Decrees, delegating various powers for the first time. In a move towards a more institutional model of government, His Majesty has devolved the roles of foreign minister, finance minister, and chairman of the Central Bank, appointing other officials to these positions. His Majesty has also consolidated the government, reducing 26 ministries to 19.

### **Recent Developments**

On 11 January 2021, marking the first anniversary of His Majesty Sultan Haitham bin Tarik Al Said's ascension to the throne, it was announced that the Sultan issued two Royal Decrees, Royal Decree № 6/2021 (issuing the Basic Law of the State) and Royal Decree № 7/2021 (promulgating the Oman Council Law), in accordance with Vision 2040. See "*The Economy of Oman—Vision 2020, Vision 2040 and Five-Year Plans*". Royal Decree № 6/2021 took effect from the day of its issuance, being 11 January 2021, following publication in the Official Gazette. Royal Decree № 7/2021 took effect from the day following its publication in the Official Gazette. Royal Decree № 6/2021 was published in the Official Gazette on 12 January 2021. Royal Decree № 7/2021 was published in the Official Gazette on 17 January 2021.

## *Basic Statute*

Royal Decree № 6/2021 sets out a new Basic Law (the “**Basic Law**”) to replace the Basic Statute promulgated by Royal Decree № 101/1996, as amended (for more detail, see “—*Written Constitution*”). This Royal Decree was issued to: (i) promote citizens’ rights and duties and public freedoms; (ii) support a better future marked by national and citizens’ achievements; (iii) support state institutions and consolidate the principles of consultation; (iv) preserve the homeland, its unity and its social fabric; and (v) consolidate Oman’s international standing and its role in laying the foundations of justice and the foundations of truth, security, stability and peace between different countries and peoples.

In this context, the new Basic Law re-asserts the State’s role in upholding the rights and freedoms of citizens with respect to, *inter alia*, gender equality, the right to childcare, rights for the disabled, rights to life, human dignity, safety and the sanctity of private life and rights to education (including compulsory primary education and the encouragement of the establishment of universities). In addition, provisions to protect national heritage and combat trafficking in materials and objects important to Oman’s national heritage have also been included.

In addition, adherence to the rule of law and the independence of the judiciary have been asserted as bases for the governance of Oman.

The new Basic Law includes the establishment of a performance monitoring committee, which reports directly to the Sultan for the purpose of assessing and monitoring the performance of ministers and other senior public officials. Furthermore, provision has been made for enhancing the powers of the State Audit Institution of the Government. Certain enhancements to local administration powers and the Council of Oman (including, *inter alia*: (i) approving or amending laws referred to it by the Government; (ii) proposing draft laws; and (iii) discussing development plans and the Budget) are also included.

Finally, a clear mechanism for hereditary succession to the throne has been established under the Basic Law, as has a mechanism to appoint a Crown Prince, which also sets out his duties and responsibilities.

## *Council of Oman*

Royal Decree № 7/2021 has implemented a new law to replace Royal Decrees № 86/97 (regarding the Council of Oman), № 87/97 (promulgating the internal regulations of the State Council) and № 88/97 (promulgating the internal regulations of the Consultative (A’Shura) Council). The new law sets out the competencies of the Council of Oman, its membership requirements and the rights and obligations of the members, as well as to establish new regulations for both chambers.

## **Written Constitution**

On 6 November 1996, Sultan Qaboos brought into force by Royal Decree № 101/96 the first written Constitution of the Sultanate of Oman, codifying the legal structure of the country, titled “The Basic Statute of the Sultanate of Oman”. The articles set out the structure of the government, including the process of succession, the principles guiding state policy, the guaranteed fundamental rights and freedoms of all citizens, and the independence of the judiciary from all power in their ruling except for the rule of Law. It characterises the Sultanate as an Arab, Islamic, Independent State with full sovereignty and with Muscat as its Capital. It sets out the guiding political, economic, social, cultural, and security principles of the Sultanate. See “—*Recent Developments*”.

The Constitution was amended further to Royal Decree № 99/2011, which came into force and was published in the Official Gazette on 19 October 2011. The amendments included granting two chambers of the Omani Parliament, the State Council and the Consultative Council (the A’Shura Council), supervisory and legislative as opposed to merely advisory powers, including to propose laws and to oversee the functioning of the executive branch.

## **February 2011 Protests**

Precipitated by the widespread pro-democracy protests across the Arab world as part of the Arab Spring, demonstrations occurred in the Sultanate in February 2011, with activists protesting unemployment amongst the younger population of the country, and governmental corruption. It is to be noted that unlike in its neighbouring regions, including Tunisia, Egypt and Bahrain, the Omani protests did not call for a change of government or for the retirement of Sultan Qaboos.

The Sultan then made an announcement promising the creation of 50,000 civil-service jobs, and unemployment benefits, as well as to examine calls to grant wider powers to the elected consultative council that advises the Sultan on state affairs. These promises were realised by subsequent Royal Decrees, such as the amendment to the Constitution in October 2011 to afford wider powers to the Consultative Council. See “*The Sultanate of Oman—Government Organisation and Political Background—Organisational Structure of the Government—Legislative Powers*”. In addition, Royal Decree № 27/2011

changed the name of the State Financial Audit Institution to the State Financial and Administrative Audit Institution and had its remit enhanced by domestic laws to investigate instances of government corruption. On 15 October 2011, elections to the Consultative Council were held for the first time since the expanded powers were granted.

## **The Economy of Oman**

The Sultanate's economy has grown significantly since 1970, the beginning of the rule of Sultan Qaboos, and in particular in the period between 1998 and 2019, during which real GDP nearly doubled in response to economic reforms implemented during that period, including the promotion of diversification of the Omani economy, which resulted in the contribution of non-petroleum sectors to real GDP more than tripling in size over the period. However, while it fell during this period, the youth unemployment rate remained high, at 13.2% in 2019, compared to 15.1% in 2015. Despite its diversification efforts, Oman's economy continues to be dominated by oil and gas activities, which accounted for 34.4% of nominal GDP during the year ended 31 December 2019 as compared to 35.9% of nominal GDP during the year ended 31 December 2018. The Government expects that real GDP growth decreased by 4.3% in 2020. See "*The Economy of Oman—Gross Domestic Product*".

Inflation, as measured by CPI, has fluctuated in recent years. It was 1.1% in 2016, 1.6% in 2017, 0.9% in 2018 and 0.1% in 2019. Following the unprecedented global developments that emerged during the COVID-19 pandemic in early 2020, central banks across the world have adopted expansionary monetary policies. Therefore, the COVID-19 pandemic has affected the economy from both demand and supply perspective, and the overall effects are still to be seen. According to estimated data published by the IMF, CPI in 2020 showed a contraction of 0.9%, as compared to positive growth of 0.1% in 2019. Inflation rates in Oman are susceptible to large fluctuations in international commodities and energy prices. Fiscal consolidation measures may lead to increases in domestic commodity prices, which may, in turn, lead to an increase in inflation. See "*Risk Factors—Risk Factors in relation to the Issuer—The Omani economy may face inflationary pressures*".

Oman's nominal GDP decreased by 16.5% during the first nine months of 2020, as compared to the same period in 2019, according to preliminary data released by the NCSI. The nominal contraction in the economy was driven by a 24.4% decrease in the hydrocarbon sector, as well as a 12.4% decrease in the non-hydrocarbon sector during the nine months ended 20 September 2020. Oman estimates that nominal GDP for 2020 will be OMR 24,712 million and that oil revenues will decrease by 26% from OMR 6,099 million in 2019 to OMR 4,500 million in 2020. The Omani oil price averaged U.S.\$46.0 per barrel during 2020, which is 27.6% lower compared to 2019. Furthermore, production decreased during the same period by 1.4% as compared to the previous year, to an average daily production of 957,300 barrels.

Net international reserves *with* the CBO (defined by the CBO as being the gross foreign reserves exchange assets of CBO *minus* CBO's foreign exchange liabilities, which include non-resident institutions) as at 31 December 2020 decreased to OMR 3.7 billion from OMR 4.0 billion as at 31 December 2019, representing a decrease of OMR 0.3 billion, primarily due to COVID-19-related outflows. See "*Response to COVID-19*". The CBO estimates on this basis that NIR covered 8.2 months of merchandise imports as at 31 December 2020, as compared to 8.8 months as at 31 December 2019.

According to estimates published by the IMF, which the Issuer believes to have been calculated based on the net foreign exchange assets of the CBO (defined by the CBO as being the gross foreign reserves exchange assets of CBO *minus* CBO's foreign exchange liabilities, which includes non-resident institutions and FX swaps, *minus* government foreign deposits with CBO and *minus* banks' foreign deposits with CBO), NIR covered 6.5 months of merchandise imports as at 31 December 2020, as compared to a comparable figure of 6.2 months as at 31 December 2019. See "*External Sector—General*".

## **Economic, Fiscal and Monetary Reforms**

As part of the Government's Vision 2040 programme, the Government's economic targets include to continue the diversification of the Omani economy away from hydrocarbons and into infrastructure and other developments, under the guidance of specialist committees.

Key Government reforms implemented in recent years to support the progress of the primary Vision 2040 plan include, *inter alia*: Vision 2020, a secondary long-term development strategy with an emphasis on diversification and investment in non-oil and gas industries and services; and (ii) The Five-Year Plans, tertiary short-term projects also designed to aid the diversification of the economy by increasing expenditure on key infrastructure projects, such as developing the country's ports. The current Five-Year Plan is termed the Tenth Five-Year Plan for 2021 to 2025, which will be part of Vision 2040. See "*The Economy of Oman—Vision 2020, Vision 2040 and Five-Year Plans*".

In response to the fiscal and economic challenges the Sultanate is facing, the late Sultan Qaboos bin Said ordered the establishment of the National Program for Fiscal Balance (*Tawazun*) in September 2019 with the sole mandate of

achieving fiscal balance over the medium term. *Tawazun* has been empowered by the Government through fast-tracked decision-making processes and reports directly to His Majesty and has also been granted unrestricted access to any data and information it requires from any government entity.

The Government is committed to achieving primary fiscal balance in the medium term to ensure a strong foundation for Vision 2040, while also strengthening its institutional and governance structures and enhancing its operational capacity to ensure effective planning and timely implementation of its fiscal policy over the medium term.

See “*The Economy of Oman—Medium-Term Fiscal Plan*”.

On 12 October 2020, H.M. Sultan Haitham bin Tariq Al Said issued Royal Decree № 121/2020 promulgating the law on value added tax (the “**VAT Law**”). The VAT Law was published in the Official Gazette of Oman on 18 October 2020 and came into effect on 16 April 2021. The VAT Law imposes a value added tax at a base rate of 5% on most goods and services exported to or imported from Oman. On 4 January 2021, the Tax Authority issued three decisions in relation to the VAT Law, the first of which determines the monetary thresholds for mandatory and voluntary registration, the second provides a list of food items that are zero rated and the third determines a schedule for mandatory tax registration for taxable persons. On 10 March 2021, the Tax Authority issued the executive regulations to the VAT Law. Between March and April 2021, two further decisions (№ 59/2021 and № 65/2021) were issued in relation to VAT, providing a list of further food items and medical supplies that are zero rated.

See “*Public Finance—Taxation—VAT*” and “*Taxation—Oman Taxation—Changes to tax law*”.

The following table sets forth selected economic information relating to Oman as at the dates and for the periods indicated.

<b>Selected Economic Information<sup>(1)</sup></b>					
	<b>Year ended 31 December</b>				
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Domestic Economy</b>					
Nominal GDP ( <i>OMR millions</i> ) <sup>(2)</sup> .....	25,354.5	27,144.9	30,678.8	29,349.5	24,857.3
Real GDP ( <i>OMR millions</i> ) <sup>(3)</sup> .....	28,748.5	28,825.2	29,090.2	28,850.1	n/a
Real GDP Growth Rate (%).....	5.0	0.3	0.9	(0.8)	n/a
Consumer Price Index <sup>(4)</sup> .....	103.3	104.9	105.9	106.0	104.4
<b>Balance of Payments</b>					
Exports of Goods (FOB) ( <i>OMR millions</i> ).....	10,591	12,644	16,045	14,875	11,730 <sup>(5)</sup>
Imports of Goods (FOB) ( <i>OMR millions</i> ).....	(8,185)	(9,275)	(9,092)	(7,866)	(7,264) <sup>(5)</sup>
<b>Current Account Balance</b> ( <i>OMR millions</i> ).....	<b>(4,821)</b>	<b>(4,222)</b>	<b>(1,649)</b>	<b>(1,639)</b>	<b>(3,330)<sup>(5)</sup></b>
<b>Overall Balance</b> ( <i>OMR millions</i> ).....	<b>(3,615)</b>	<b>(1,066)</b>	<b>990</b>	<b>(540)</b>	<b>(877)<sup>(5)</sup></b>
CBO Net Foreign Reserves ( <i>in OMR millions</i> ).....	5,664	5,264	6,004	5,721	5,010 <sup>(6)</sup>
Months of Import Coverage <sup>(7)</sup> .....	9.7	7.3	8.0	8.8	8.2
<b>Public Finance</b> ( <i>OMR millions</i> )					
Total Revenues and Grants.....	8,150	8,635	10,821	10,899	8,198 <sup>(9)</sup>
Total Expenditure.....	12,637	12,264	13,484	13,133	12,610 <sup>(9)</sup>
Overall Fiscal Balance <sup>(8)</sup> .....	(4,487)	(3,629)	(2,763)	(2,293)	(4,412) <sup>(9)</sup>
Overall Deficit (% of GDP).....	(17.7)	(13.4)	(9.0)	(7.8)	n/a
Primary Deficit (% of GDP).....	(17.3)	(12.0)	(7.0)	(5.5)	n/a
Gross External Debt/GDP (%).....	20.5	32.7	38.4	45.4	n/a

*Source: The Ministry of Finance*

#### Notes

- (1) The figures in this table have been revised and differ from previously published data.
- (2) For the six months ended 30 June 2020, nominal GDP was OMR 12,253.7 million.
- (3) Real GDP at constant prices for 2016-2020 is calculated using 2012 as the base year.
- (4) Average prices for 2012 = 100.
- (5) Preliminary.
- (6) As at 31 March 2021, the CBO’s net international reserves were OMR 6.0 billion. The CBO’s gross foreign reserves represented 8.7 months of merchandise imports in 2020.
- (7) Imports of goods. According to estimates published by the IMF, months of merchandise imports declined to 6.5 months as at 31 December 2020.
- (8) As published by the NCSI.
- (9) Preliminary estimated figures. Subject to revision and amendment.

## RISK FACTORS

*An investment in the Trust Certificates involves risks. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, as well as the detailed information set out elsewhere in this Base Prospectus and reach their own views before making an investment decision. The risks and uncertainties described below are not the only risks and uncertainties related to the Trustee, the Government and the Trust Certificates. Additional risks and uncertainties not presently known, or currently believed to be immaterial, could also have an adverse effect on Oman's economy and could impair the Trustee's ability to make payments on the Trust Certificates and the Government's ability to make payments under the Transaction Documents. If any of the following risks actually materialise, the financial condition and prospects of the Trustee and/or the Government could be materially adversely affected. If that were to happen, the trading price of the Trust Certificates could decline and the Trustee may be unable to make payments due on the Trust Certificates, and investors may lose all or part of their investment. Words and expressions defined elsewhere in this Base Prospectus (including in the Terms and Conditions) shall have the same meanings in this section.*

### **Risk factors relating to the Trustee**

#### ***The Trustee has no material assets***

The Trustee is a closed joint stock company organised and established under the laws of Oman on 13 August 2015. The Trustee will not engage in any business activity other than the issuance of Trust Certificates, the acquisition of the Trust Assets (as defined herein) and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee will have no material assets other than its rights and entitlements in and to the Trust Assets and it will hold the Trust Assets as agent for and on behalf of the Certificateholders. The Trustee's principal source of funds will be the amounts generated by the Relevant Lease Asset(s), including its right to receive payments from the Lessee under the Lease Agreement and payments from the Obligor under the Purchase Undertaking (each as defined herein).

#### ***The Trustee will depend on receipt of payments from the Lessee to make payments to Certificateholders***

The ability of the Trustee to make payments under the Trust Certificates is dependent on the payment by the Government (in its capacity as Lessee and Obligor) of amounts owed by it under the Lease Agreement and under the Purchase Undertaking, which, in the aggregate may not be sufficient to meet all claims under the relevant Trust Certificates and the Transaction Documents. Failure by the Government (in whatever capacity) to make any payment required by it may result in insufficient funds being available to the Trustee in order to make payments under the Trust Certificates and Transaction Documents. The Trustee will, therefore, be subject to all the risks to which the Government is subject to the extent that such risks could limit the Government's ability to satisfy in full and on a timely basis its obligations under the Trust Certificates and the Transaction Documents. Certificateholders should, therefore, carefully review the sections related to the Government herein. See "*Risk factors relating to the Government*", "*Overview of Oman*" and "*The Economy of Oman*".

### **Risk factors relating to the Government**

#### ***COVID-19 Pandemic***

Since the outset of the COVID-19 pandemic, the government of the Sultanate of Oman (the "**Government**") has introduced a number of policies aimed at responding to the spread of the virus, as well as financial measures aimed at mitigating the potential economic impact of the pandemic. See "*Response to COVID-19*". To date, the COVID-19 pandemic has resulted in significant reductions in global and regional growth rates, with many regions, including the GCC, experienced negative growth, lower oil prices, widening fiscal deficits and increased public debt levels.

Restrictions have been placed on travel and prolonged restrictions on commercial activities have been in place for various parts of 2020 and 2021, with a number of measures being reintroduced in 2021 as result of increased infection rates and infection variants. The pandemic has significantly negatively impacted and is likely to continue to impact all sectors of Oman's economy, and there can be no assurance as to when, or if, the various sectors of the Omani economy will return to pre-pandemic levels of activity. In addition, no prediction can be made as to the scope or the scale of systemic changes to Oman's economy that will result from the pandemic.

Whilst the Government has been discussing funding for COVID-19 related measures with multilateral agencies such as the Asian Infrastructure Investment Bank, such facilities are yet to be concluded. The IMF is scheduled to conclude its

2021 Article IV visit to Oman on 7 June 2021 and is expected to release a statement regarding the conclusion of its visit shortly.

Global trade and economic conditions in other countries have also been adversely affected to a significant extent and they are likely to have an adverse impact on Oman (for example, through lower trade and a reduction in financial support). In April 2021, the IMF estimated that the real GDP of the GCC, of which Oman is one of the six members, contracted by 4.8% in 2020, before recovering to grow by 2.7% in 2021.

The pandemic has also produced an increase in unemployment, the scale of which remains unclear, as official data is not available on this point. In May 2021, His Majesty Sultan Haitham bin Tarik Al Said issued new directives to create up to 32,000 employment opportunities for Omani nationals, as well as subsidising private companies that employ Omani nationals. Should unemployment not return to pre-pandemic levels there may be social dislocation and unrest. In addition, it cannot be determined what impact the pandemic will have on inflation and other macro-economic indicators.

COVID-19 poses a continuing risk to the fiscal position of Oman. Given the uncertainty of the lasting effect of the COVID-19 pandemic and the rate of recovery of the regional and global economy, the on-going impact on Oman's economy cannot be determined, but the Government expects the impact to continue to be significant and adverse.

### ***Oman's economy and public finance are significantly affected by volatility in international oil prices***

Although the Government has sought to promote the growth of the non-oil sector, Government revenues remain significantly dependent on oil revenues, with petroleum industrial activities (*i.e.*, crude petroleum and natural gas industrial activities) accounting for 31.1% of Oman's GDP at current market prices for the year ended 31 December 2020, as compared to 34.4% for the year ended 31 December 2019, 35.9% for the year ended 31 December 2018, 29.7% for the year ended 31 December 2017, 26.4% for the year ended 31 December 2016 and 33.1% for the year ended 31 December 2015.

Revenues from petroleum activities generated 75.6%, 80.5% and 73.4%, of total consolidated Government revenues for the seven months ended 31 July 2020 and the years ended 31 December 2019 and 2018, respectively, and oil and gas exports accounted for 66.0%, 68.5% and 65.4%, of the total value of merchandise exports (including re-exports) for the three months ended 31 March 2020 and the years ended 31 December 2019, and 2018, respectively. Revenues from oil and gas decreased by 5.4% to OMR 8.2 billion in 2019 from OMR 8.7 billion in 2018, as a result of decreases in global oil prices. Oil prices fell from a monthly average of U.S.\$104.99 per barrel of Dubai Mercantile Exchange's Oman Crude Oil Futures Contract ("**DME Oman**") crude oil in June 2014 to a low of U.S.\$18.46 in April 2020. For 2017, 2018, 2019 and 2020, the monthly average price per barrel of DME Oman oil was approximately U.S.\$51.3, U.S.\$69.7, U.S.\$63.6 and U.S.\$46.0, respectively. DME Oman crude oil is Oman's principal oil export.

A continued low oil price environment is expected to have a significant negative effect on Oman's public finances and continue the trend of current account deficits as Government budget break-even prices of oil remain above current market levels (the Government budget break-even prices were U.S.\$94.95 per barrel in 2018 and U.S.\$87.72 per barrel in 2019, while the average realised price of oil for 2019 was U.S.\$78 per barrel). The Government budget for 2020 contemplated an expected break-even price of oil of U.S.\$84 per barrel and an external break-even level of U.S.\$76 per barrel. The 2021 budget contemplates an expected break-even price of oil of U.S.\$73.39 per barrel. Oil revenues decreased by 26% in 2020 to OMR 4.4 billion and are expected to decline by a further 26% in 2021 to OMR 3.5 billion.

The Ninth Five-Year Plan for the period 2016-2020 emphasises diversification of Oman's economy, however Oman's other economic sectors remain, in part, dependent on the oil and gas sector. Although the Government has reduced over time certain Government expenditures in light of the budgetary pressures caused by lower oil price environments, large Government fiscal deficits are likely to continue, resulting in larger deficit financing needs. This, in turn, impacts many sectors of the economy, including, in particular, the construction sector, to the extent that large building projects must be delayed or cancelled. In addition, ancillary industrial activities related to oil and gas exploration and production are also negatively affected by low oil prices. Furthermore, sectors that are dependent on household consumption, including education, transport and housing, may be adversely affected by lower levels of economic activity that may result from lower Government revenue from oil and gas production. If Oman does not decrease public expenditure (or increase non-oil revenues), an environment of prolonged low oil prices may lead to a further widening in the fiscal deficit and adversely impact Oman's sovereign credit rating, as well as its borrowing costs.

While Oman has in the past increased oil exports in periods of prolonged down-turns in the oil price and retains some capacity to do so in the short and medium term, as Oman's fields are generally considered to be fairly mature, such a solution may not prove viable if oil prices were to continue to be depressed for a prolonged period. Furthermore, in December 2016, December 2018 and July 2019, as a member of the OPEC+ alliance, Oman agreed to reduce oil production in line with OPEC commitments. Following a further substantial drop in global oil prices in March 2020 (by

approximately U.S.\$11.00 per barrel), as a result of the Kingdom of Saudi Arabia's capital markets authority deciding to cut export oil prices, as well as Russia and OPEC's failure to reach an agreement over proposed oil production cuts, the 23 members of the OPEC+ alliance agreed in April 2020 to further reduce production by 9.7 million bbl/d in May and June, followed by a 7.7 million bbl/d drop in the second half of 2020 and a 5.8 million bbl/d cut from January 2021 to the end of April 2022.

In addition, future growth in reserves is generally expected to be limited to successful implementation of enhanced oil recovery techniques. As a result, if there is any failure to make use of such techniques, or if such techniques prove excessively costly (particularly in the context of low oil prices) or fail to help grow oil and gas reserves, a long-term slowdown in oil production may become more likely.

Additional factors, such as the price and availability of new technologies, including renewable energy and unconventional oil and gas extraction methods, and the global geopolitical climate and other relevant conditions, have an indirect impact on oil demand and oil prices in Oman and globally. Long-term effects may occur as a result of international regulatory efforts, such as the 2015 Paris Climate Agreement to curb greenhouse gas emissions and limit climate change. There can be no assurances that these factors, in combination with others, will not result in a prolonged or further decline in oil prices, which may continue to have an adverse effect on, among other things, Oman's GDP growth, Government revenues, balance of payments and foreign trade.

### ***Oman has historically had a large fiscal deficit and increasing indebtedness***

While revenues, in particular oil revenues, have declined in the past during periods of relatively low oil prices, Government spending has been stable, resulting in large fiscal deficits. Oman's budget deficit in 2019 was OMR 2.3 billion, as compared to OMR 2.8 billion in 2018, and was budgeted to be OMR 2.5 billion in 2020, however due to the COVID-19 pandemic this has been revised to OMR 4.2 billion. According to preliminary estimated figures, Oman's actual budget deficit in 2020 was OMR 4.4 billion. Oman's budget deficit represented 7.8% of GDP in 2019, as compared to 9% in 2018 and is budgeted to increase to 14.1% of GDP in 2020, as a result of the lower oil prices and the COVID-19 pandemic. The Government expects a budget deficit of OMR 2.2 billion, amounting to 8.6% of GDP, in 2021 (although a portion of this reduction compared to 2020 is due to the financing of certain expenditures through the newly-formed Energy Development Oman ("EDO"), which is not included in the Government budget deficit). It is expected that 73%, or approximately OMR 1.6 billion, of the deficit will be financed through external and domestic borrowing. The remaining 27% of the deficit, approximately OMR 600 million, will be covered by drawing on reserves.

Oman's fiscal deficit has resulted in increases in its public debt and debt-to-GDP ratio. Total outstanding Government debt was OMR 19.7 billion, as at 31 December 2020, as compared to OMR 17.6 billion, as at 31 December 2019. The debt-to-GDP ratio was 79.2% as at 31 December 2020, as compared to 59.9% as at 31 December 2019. The anticipated debt-to-GDP ratio is expected to increase to 82.7% in 2021.

Oman has taken a number of measures in recent years to reduce its deficit, including limiting new Government hiring and promotions, implementing a pay freeze in respect of civil servant compensation, eliminating certain fuel subsidies, reducing certain operating expenditures and the defence budget and issuing instructions to all spending units in key line ministries to curtail non-essential current expenditure and to increase efficiency, as well as implementing changes in the taxation system, including increasing the corporate tax rates.

A failure to reduce the budget deficit and/or public spending (and the corresponding effect on the size of Oman's public debt), and a failure to diversify the economy, could make the economy more susceptible to the risks associated with the sectors in which the economy is concentrated (for example, the oil industry), and any downturn in such sectors or the economy generally, could have an adverse effect on the economic and financial condition of Oman. Oman's ability to implement sizeable spending reductions may be difficult as a result of Oman's low budgetary flexibility, which is caused by factors such as Oman's necessary capital expenditure to support oil production and a large public sector payroll. Furthermore, reliance on the domestic capital markets to fund the budget deficit may have a "crowding out" effect on other investment in the Omani economy, hence the Government has predominantly relied on external borrowing to fund the deficit.

### ***Oman is located in a region that has been subject to ongoing geo-political and security concerns***

Oman is located in a region that is strategically important and parts of this region have, at times, experienced political instability. This political instability has included regional wars, such as the Gulf War of 1991, the Iraq War of 2003, tensions between and among the United States, Israel, Syria and Iran, terrorist acts, maritime piracy and civil revolutions. Since early 2011 there has been political unrest in a range of countries in the Middle East and North Africa ("MENA") region, including Algeria, Bahrain, Egypt, Iraq, Libya, Morocco, Syria, Tunisia and Yemen. This unrest in the region has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and has given rise to a number of

changes in government in some countries as a result of civil unrest and increased political uncertainty across the region. The MENA region is currently subject to a number of armed conflicts, including those in Yemen (with which Oman shares a border), Syria, Iraq and Palestine as well as the ongoing conflicts with the non-state terrorist group known as DAESH or ISIS. It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact that such events and circumstances might have on Oman.

In June 2017, three GCC countries, the Kingdom of Saudi Arabia (the “KSA”), the United Arab Emirates (the “UAE”) and Bahrain, as well as, Chad, Comoros, Egypt, Maldives, Mauritania, Senegal and Yemen, severed diplomatic ties and cut trade and transport links with, and imposed sanctions on, Qatar. In addition, Djibouti, Jordan and Niger downgraded diplomatic ties with Qatar. These countries have accused Qatar of supporting extremist groups. The KSA recently announced that it will reopen its airspace and sea and land border with Qatar, in the first step toward ending the years-long blockade. On 5 January 2021, the KSA, the UAE, Bahrain and Egypt reached an agreement with Qatar to resolve the dispute between the countries. Oman has remained neutral during the diplomatic crisis and diplomatic efforts to end the crisis are being undertaken by Oman, Kuwait and several other countries. It is uncertain at this stage how the events relating to Qatar will develop or how the situation may impact Oman, the region or emerging markets generally.

Oman is, and will continue to be, affected by political developments in or affecting the MENA region and investors’ reactions to developments in any country in the MENA region may affect the securities of issuers in other markets within the region, including Oman. Although Oman has not recently experienced terrorist attacks, such as those experienced by a number of countries in the MENA region, such as, Egypt and Turkey, there can be no assurance that extremists or terrorist groups will not initiate violent activity in Oman. Any terrorist incidents in, or affecting, Oman or increased regional geopolitical instability (whether or not directly involving Oman) may have a material adverse effect on Oman’s attractiveness for foreign investment and capital, its ability to engage in international trade, its tourist industry and, consequently, its economic, balance of payment and fiscal positions.

Oman is also dependent on expatriate labour (ranging from unskilled labourers to highly skilled professionals in a range of industry sectors) and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to Oman. Foreign businesses, tourists and, to a lesser extent, expatriate workers are more sensitive to political instability in a country and more ready to shift their activities to alternate countries that are not experiencing such instability. The Government aims to increase domestic employment as part of its “Omanisation” process (see “*The Economy of Oman—Employment*”), which could also reduce the number of expatriate workers. Furthermore, the number of expatriate workers in Oman has been reduced significantly due to the COVID-19 pandemic. If Oman were to be impacted by the on-going regional instability or if terrorist incidents were to occur in Oman, its economy and, in particular, its efforts to diversify its economy could be adversely affected, which, in turn, could have a material adverse impact on Oman’s ability to perform its obligations under the Trust Certificates.

Furthermore, other world events could have an impact on Oman’s political and security situation, including the ongoing COVID-19 pandemic. See “*Risk Factors—Risk Factors in relation to the Issuer—COVID-19 Pandemic*”. Oman pursues an independent foreign policy with the aim of fostering good relations with its neighbours as well as other countries, in particular, the United States. Although Oman aims to maintain the existing cordial relationship with the United States, a shift in the relationship between Oman and the United States and/or other countries across the region or changing U.S. political priorities in the region could have a material adverse effect on Oman’s economic, political or financial condition, which, in turn could have a material adverse effect on Oman’s ability to perform its obligations under the Trust Certificates.

### ***Concentration of export markets***

Oman’s external trade is a significant source of foreign exchange, amounting to approximately 79.6% and 83.8% of nominal GDP for the year ended 31 December 2019 and 2018, respectively. As of 30 September 2020, Oman’s external trade amounted to approximately 78.1% of nominal GDP, a decrease of 1.5%, as compared to the year ended 31 December 2019.

Oman’s exports are relatively concentrated, and the region is heavily dependent on oil and gas resources and exports, which generate a significant proportion of governmental revenue. Oman is a member of the Gas Exporting Countries Forum (“GECF”) and is the largest oil and natural gas producer in the Middle East that is not a member of the Organization of the Petroleum Exporting Countries (the “OPEC”), and exports natural gas as Liquefied Natural Gas (“LNG”) through its Oman LNG facilities near Sur in the Gulf of Oman. In addition, the number of countries to which oil is exported by Oman is extremely limited. According to statistics published by the CBO, in the first quarter of 2020, 87.8% of the oil exported by Oman was directed to China, 4.2% to India, and 3.3% to Malaysia.

Although Oman is seeking to diversify its export markets, there can be no assurance that it will be able to do so. Unless Oman is able to diversify its export markets, the ability of Oman to continue its current levels of exports will be dependent, to an extent, on internal and external events affecting a small number of countries, as well as such countries’ internal



markets and government policies. If there is a significant decline in the economic growth of any of Oman's major trading partners, this could have a material adverse impact on Oman's balance of trade and Oman's economy.

***Oman's efforts to diversify its economy, decrease Government spending and implement more extensive and higher rates of tax collection may not be successful***

Oman's economy is dependent on the oil and gas industry. See "*Oman's economy and public finance are significantly affected by volatility in international oil prices*". Oman's total proved and probable oil and condensate reserves as at 31 December 2020 were 4,706.3 million barrels ("**mmbbl**"), as compared to 4,842.7 mmbbl as at 31 December 2019 and 4,790.9 mmbbl as at 31 December 2018. If low oil prices are sustained for an extended period of time, Oman may have to cancel or scale back planned or future development of oil and gas production, especially where production assumptions rely on more challenging methods or have technological constraints on the extraction of "tight" oil or gas, which in turn would lead to actual, extractable reserves being less than current estimates.

The Government has a long-term strategy of diversifying Oman's economy away from its reliance on oil as the single major revenue source towards a more diverse economy.

In line with this priority, the Government aims to increase the tourism sector's contribution to GDP to 4.8% by 2030 and 5.9% by 2040. However, while tourism has traditionally been a source of foreign exchange, (accounting for 2.2% of GDP for the year ended 31 December 2018 and 2.5% of GDP for the year ended 31 December 2019), the number of tourists and volume of tourism revenues have historically fallen in times of instability and tension in the Middle East and are likely to be further impacted by the COVID-19 pandemic and there can be no assurance that Oman's efforts to diversify its economy and reduce its dependence on oil will be successful. On 25 July 2020, the Government initiated a nationwide lockdown to prevent the spread of the COVID-19 pandemic, which was lifted on 16 August 2020, with commercial international flights being postponed until at least 31 August 2020. The Supreme Committee has subsequently introduced a list of countries from which travellers are prohibited. This has had a material adverse impact on the tourism sector in 2020 and to date in 2021, and is expected to result in continued impacts throughout 2021. A continuation of reduced tourism levels or a further reduction in such levels may have a material adverse effect on Oman's economy. See "*Risk Factors—Risk Factors in relation to the Issuer—COVID-19 Pandemic*".

There can be no assurance that Oman's efforts to diversify its economy and reduce its dependence on oil will be successful. In particular, Oman's attempts to diversify may mean that it undertakes projects in areas in which it has little or no previous experience or for which there are significant economic risks. In addition, its ability to engage in large-scale infrastructure projects and other large expenditures that support its diversification efforts could be reduced, or the projects themselves made economically unfeasible by reduced oil prices. For example, delays in, or cancellation of, the development of the oil refinery and the numerous related non-petroleum projects at the Special Economic Zone in Duqm, resulting from economic difficulties caused by very low oil prices, in turn caused by the COVID-19 pandemic global demand, or for any other reason, could have a significant effect on the growth rate of the Omani economy.

In addition, efforts to reduce Government expenditure beyond current planned reductions may become more difficult, and even current planned reductions may not be achieved. Moreover, past and future reductions may not be sustainable as cuts to health, education and other social benefits could lead to social unrest if such reductions are too significant or happen too fast. Similarly, measures to increase non-oil and gas revenues, such as new or increased taxes and administrative fees, may not be successful and could lead to public discontent and/or social unrest.

If Oman is unable to diversify its economy, decrease Government spending and implement more extensive and higher rates of tax collection, its economy could be adversely affected, which, in turn, could have a material adverse impact on Oman's ability to perform its obligations under the Trust Certificates.

***Oman is in a water-deprived region***

Oman is an arid region, located in one of the most water-deprived areas of the world. It has extremely limited water resources and is highly dependent on unpredictable and limited rainfall. In addition, climate change is likely to lead to changed precipitation patterns, sea level rises and more frequent extreme weather events, such as prolonged droughts and flooding. There are two main types of water resources in Oman, being conventional water sources such as surface and ground water sources, and non-conventional water sources, including desalination, which is extremely energy-intensive, and treated wastewater. There is concern that the demand from ground water supplies in Oman is too high to be sustainable, due to amongst other factors a high and continuing demand from Oman's agricultural industry. The overuse of groundwater aquifers to supply resources to the agricultural industry has led to the intrusion of seawater supplies from the lower aquifers, which contaminates existing groundwater resources.

Although the Government has undertaken a number of steps to protect the water supply available in Oman, including enacting laws and regulations aimed at prevention of water depletion or pollution, as well as a policy of reducing reliance on ground-water drinking water supply through the use of desalination plants, the population and the economy of Oman remain subject to the risk of adverse changes in rainfall patterns and disruptions to ground and other water supplies, which may be exacerbated by climate change. Accordingly, there can be no assurance that Oman will not suffer from water shortages in the future, which could materially adversely affect Oman's economy and may lead to social unrest.

***Oman is subject to risks associated with hazardous materials.***

The sizeable oil and gas sector in Oman consists of both upstream and downstream activities, which include the production, processing, storage and shipping of oil, natural gas, petrochemicals and other hydrocarbons in various physical states. Hydrocarbons, by their nature, are often hazardous materials which have the potential to harm or damage property, production facilities, people and the environment. A disaster involving hydrocarbons, such as an oil spill, could have a materially adverse effect on the revenues or assets of Oman, either from direct losses, such as the loss of export revenue, the loss of tax revenue or liability to third parties, or from indirect losses, such as unrecovered clean-up costs or unmitigated environmental damage.

***The Omani economy may face inflationary pressures***

Inflation, as measured by the CPI, has fluctuated in recent years and was 1.1% in 2016, 1.6% in 2017, 0.8% in 2018 and 0.1% in 2019. The unprecedented global developments that emerged during the COVID-19 pandemic in early 2020 have led central banks across the world to adopt expansionary monetary policies. The CBO cut its monetary policy rates in March 2020, following the U.S. Federal Reserve (given the fixed exchange rate regime) to counter the economic impact of the COVID-19 pandemic on the national economy. The COVID-19 pandemic has affected the economy from both demand and supply perspective. The overall effects are still to be seen. According to estimates published by the IMF, CPI recorded year-on-year negative growth of (0.9)% for the year ended 31 December 2020, as compared to positive growth of 0.1% for the year ended 31 December 2019. Inflation rates in Oman are susceptible to large fluctuations in international commodities and energy prices. Fiscal consolidation measures may lead to increases in domestic commodity prices, which may, in turn, lead to an increase in inflation.

***Oman faces certain refinancing risks***

Oman faces significant debt maturities in the coming years, with OMR 1,691 million in external debt due in 2021 and OMR 2,338 million in 2022, based on outstanding debt as at 31 December 2020. Any significant net deposit outflows would adversely affect these banks' ability to purchase securities issued by the Government, including the Trust Certificates, which could, in turn, limit the ability of Oman to refinance its debt. If Oman is not able to refinance its debt on favourable terms or at all, it could materially impair Oman's capacity to service its debt, including the Trust Certificates. Total Government domestic debt increased from OMR 3,203 million as at 31 December 2015 to OMR 4,989 as at 31 December 2020. Oman's debt servicing costs have also increased materially in recent years.

Oman's total public debt as at 31 December 2020, 31 December 2019, 31 December 2018, and 31 December 2017 amounted to OMR 19,700 million, OMR 17,570 million, OMR 15,531 million, and OMR 12,178 million, respectively, comprising external debt of OMR 14,710 million, OMR 13,314 million, OMR 11,795 million, and OMR 8,875 million, respectively, and domestic debt of OMR 4,989 million, OMR 4,256 million, OMR 3,736 million, and OMR 3,303 million, respectively. See "*Indebtedness—Debt of the Government of Oman*". Oman had a debt-to-GDP ratio of 79.2% as at 31 December 2020 and 59.9% as at 31 December 2019. Furthermore, the Government expects that its external debt is likely to continue to grow until 2021. As at 30 April 2021, accordingly to preliminary figures, Oman's total public debt was OMR 20,818 million.

In particular, in 2021, Oman expects that it will continue to have substantial financing needs as a result of ongoing low oil prices and the continued impact of the COVID-19 pandemic, in anticipation of which, Oman is pursuing a diversified and comprehensive funding plan to meet such financing needs. These financing needs are expected to be met partly through privatisations, monetisation of government assets and the limited use of domestic funding sources (Government Development Bonds ("*GDBs*") and domestic issuances of Sovereign Sukuk ("*Sukuk*"), starting in 2020 with a OMR 25 million Sukuk), with the larger portion covered by recourse to external sources such as international conventional Eurobonds, Sukuk, and bilateral and syndicated loans. There can be no guarantee that substantial financing will not also be required beyond 2021. There can also be no guarantee that the Government will continue to be able to access the international capital markets.

Due to liquidity constraints in the Omani banking system, domestic funding may become less accessible to the government and therefore Oman may require additional recourse to external funding. The Government is seeking to grow the domestic capital market in Oman, but it is currently underdeveloped, which increases the Sultanate's reliance on

external funding. The Government's ability to finance or refinance the public debt depends, in part, on the ability and willingness of Omani banks to purchase securities and other credit instruments issued by the Government.

In addition, a portion of short-term treasury instruments issued by the Government are purchased by international investors. Any market development associated with increases in yields and decreases in the values of such securities and other credit instruments issued by the Government, including selloffs or other events leading to diminished international investor interest in such instruments, could have an adverse effect on Oman's credit rating, economy and public finances, as well as its ability to service debt. In particular, if such developments were to contribute to a situation in which the portion of the aggregate asset portfolio of Omani banks represented by Government securities and other credit instruments became materially greater than is currently the case, due in part to a decline in international investor interest in such instruments, while the yields on such instruments increased and their values declined, this could have an adverse effect on Omani banks' balance sheets and the Omani banking system generally, while also adversely affecting the Government's ability to finance its public debt.

Oman benefits from a U.S.\$10 billion development fund with donations to be made by four of the non-donor GCC member states (Saudi Arabia, the UAE, Kuwait and Qatar), with each contribution negotiated bilaterally between Oman and the donor who will fund a given project (the "**GCC Development Fund**"). This fund is intended to stimulate economic growth and is expected to be used in furtherance of development goals. Any adverse change in the amount of funding or rate at which funding is provided could have an adverse effect on Oman's growth prospects or further increase Oman's budget deficit if Oman is required to turn to other funding sources to meet its development and other requirements.

Any significant future borrowings, including the further issuance of domestic debt or the issuance of external debt on the international capital markets, or pressure on Oman to support state-owned enterprise borrowings, could increase the risk of default on Oman's external debt, and a failure to carefully manage its debt strategy could result in unsustainable debt levels which could materially adversely affect Oman's ability to perform its obligations under the Trust Certificates.

Furthermore, while interest rates on Oman's debt are currently relatively low, at 4.5% on average in 2019, Oman's interest burden is likely to increase as a result of expectations for increased external borrowing. Over time, maturing external debt may need to be refinanced at higher costs, especially if Oman's ratings were to be further downgraded.

Oman's annual budget is approved by Royal Decree each year and accordingly, the Government will be subject to statutory and other budgetary limitations on incurring indebtedness and compliance with all statutory and other approvals must be observed in relation to both, which may accordingly limit the ability of the Government to issue Trust Certificates under the Programme (despite the Programme being unlimited in nature).

#### ***Oman's sovereign credit ratings are subject to revision and downgrade***

Ratings are an important factor in establishing the financial strength of debt issuers and are intended to measure an issuer's ability to repay its obligations based upon criteria established by the rating agencies. Oman's rating was downgraded by Moody's on 23 June 2020 from "Ba2" with a stable outlook to "Ba3" with a negative outlook, reflecting Moody's view that in a lower oil price environment, the Government will be unlikely to significantly offset the oil revenue loss and avoid a deterioration in its debt and debt affordability metrics or erosion of its fiscal and foreign currency buffers. On 26 March 2020, S&P downgraded Oman's rating from "BB" with a negative outlook to "BB-" with a negative outlook, citing higher external risks and indebtedness. On 17 August 2020, Fitch downgraded its rating of Oman from "BB" with a negative outlook to "BB-" with a negative outlook, citing concerns as to the continued erosion of Oman's fiscal and external positions. On 16 October 2020, S&P downgraded Oman's rating from "BB-" with a negative outlook to "B+" with a stable outlook, citing rising government debt and increasing financial pressures. The negative outlook by each of Moody's and Fitch, among other things, may indicate further negative ratings actions by any rating agency could occur in the near future.

Any future negative ratings action, including downgrades, negative changes in outlook or any withdrawal at any time of a credit rating assigned to Oman by any rating agency, could have a material adverse effect on its cost of borrowing and could limit its access to debt capital markets. Negative ratings actions may also adversely affect the market price of the Trust Certificates and cause trading in the Trust Certificates to be volatile. Furthermore, negative ratings actions may also have an effect on Oman's ability to raise financing at attractive levels or at all, which in turn may put greater pressure on the Government to obtain alternative sources of funding in such cases or on the ability of state-owned entities to raise financing at attractive levels, or at all, which in turn could lead such entities to request additional financing support from the Government. Whilst the Government is continuing to monitor and manage the risk of further credit ratings downgrades or negative changes in outlook, there can be no assurance that its efforts in this respect will be sufficient or successful.

Oman cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be affirmed or withdrawn entirely by the relevant rating agency if, in its judgement, circumstances in the future so warrant. Oman has no obligation to inform Certificateholders of any such revision, downgrade or withdrawal.

### ***Oman maintains relations with certain sanctioned countries***

In the past, Oman has had trade relations with, and individuals and entities in Oman have engaged, and may currently be engaged, in trading activities with, certain countries or entities that are the subject of sanctions administered by the Office of Foreign Assets Control (“**OFAC**”) of the U.S. Department of the Treasury, the EU and other member states of the EU and the U.N. Security Council (collectively, “**Sanctions**”). Oman also maintains diplomatic relations with, and has embassies in, certain countries that are the subject of Sanctions.

Oman believes that these trade relations and diplomatic activities have not violated, and do not violate, any Sanctions, and Oman has maintained a strong and longstanding partnership with the United States and the EU. The existence of Sanctions, however, and the trading activities of Omani individuals and entities with parties in sanctioned countries, leaves open the possibility that Sanctions could be enforced against Omani individuals or entities, adversely affecting Oman’s trade flows or its international reputation. Moreover, further Sanctions could be imposed, which could further affect Oman’s trade flows due to its trade relations and proximity to sanctioned countries, which could adversely affect Oman’s trade flows and its economy.

### ***The developing legal and business environment and perceived risks of corruption***

Oman’s legal and regulatory systems and institutions are in various stages of development and are not yet as sophisticated as similar institutions in more developed jurisdictions. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner. As the legal environment remains subject to continuous development, investors in Oman may face uncertainty as to the security of their investments. Any unexpected changes in Oman’s legal system may have a material adverse effect on the rights of Certificateholders.

Oman was ranked 49 out of 180 countries in Transparency International’s 2020 Corruption Perceptions Index. Oman’s score in the 2020 index was 54/100 (with 1 the most corrupt score and 100 being the least corrupt).

Oman ranked 68 out of 190 countries in the World Bank’s 2020 Doing Business Report, moving up 10 places from its 2019 ranking at 78, while Oman ranked 53 out of 141 countries in the World Economic Forum 2019 *Global Competitiveness Index*.

Failure to address continued or perceived corruption and governance failures in the public sector and any future allegations, or perceived risk, of corruption in Oman, as well as failure to implement the proposed reforms to improve Oman’s business climate, including any Governmental initiatives to increase trade and competitiveness, could have a material adverse effect upon Oman’s ability to attract foreign investment and lead to further instances of political instability, which could, in turn, have a material adverse effect on the Omani economy.

### ***Government-owned companies are not consolidated in its fiscal accounts and many of these companies are exposed to global economic trends***

Prior to the formation of the Oman Investment Authority (“**OIA**”), the income from the State General Reserve Fund (“**SGRF**”), the Petroleum Reserve Fund (“**Petroleum Reserve Fund**”), the Oman Investment Fund (“**OIF**”) and the Infrastructure Project Finance Account (“**IPF**”) were counted as non-tax revenue for the purposes of the budget data of the Ministry of Finance, provided in accordance with the IMF accounting format (although such income is not included in the State General Budget or any calculation related to the resulting deficit or financing thereof). Since each of these entities falls under the OIA (pursuant to Royal Decree № 61/2020), the activities of the Government’s wholly owned companies are no longer recorded in the State Budget. Many of these companies are exposed to global economic trends generally and to economic volatility within Oman. Global economic trends including, but not limited to, volatility in asset prices and financial markets and volatility in commodity prices (both hydrocarbon and non-hydrocarbon), may impact the asset values, revenues and results of these companies. For example, Oman Air SAOC, which is a (99.9% owned) subsidiary of the Government, through the OIA, experienced losses in 2016 and 2017 and is expected to require Government funding support through 2021. This Government support will be provided in the form of guarantees for long-term facilities. If and to the extent that this results in increased funding being required by any of these companies or reduces the funds available to the Government, it could have a significant negative impact on the Government’s fiscal balance.

Furthermore, the debt of many state-owned enterprises has increased significantly over recent years, from U.S.\$12,773 million as at 31 December 2015 to U.S.\$28,371 million as at 31 December 2020, which may constitute contingent liabilities for the Government. The debt of state-owned companies is expected to rise materially in 2021 as EDO’s oil and gas development activities with respect to Block 6 are expected to require significant up front capital expenditures and financing.

### ***A crisis in the banking and financial services sectors could have an adverse effect on Oman's economy***

Banking and other financial services accounted for 7.4% and 6.9% of nominal GDP in the years ended 31 December 2020 and 2019, respectively. The banking sector has seen gross non-performing loans increase to 4.2% as at 31 December 2020 from 3.5% as at 31 December 2019, which can be attributed to a variety of factors, including the economic downturn resulting from low oil prices. The banking sector is likely to see further increases in gross non-performing loans, as a result of the return of low oil prices, the COVID-19 pandemic and other macroeconomic factors. However, the impact of this has not yet, and is not expected to, materially affect banks' credit profiles. Low oil prices have also contributed to tightening liquidity across the banking sector in the GCC, including Oman, since 2015.

Separately, the CBO has warned in the past that banks' exposure to the real estate sector in Oman could be a potential source of vulnerability, while certain credit rating agencies have noted elevated credit risks within Oman's construction and retail sectors. Additionally, a move in April 2017 to allow local banks to count Government debt towards their reserve requirements could lead to increased linkages between the banking sector and the sovereign. Furthermore, the CBO introduced regulatory amendments in April 2018, including the reduction of the minimum total capital adequacy ratio ("CAR") from 12.0% to 11.0%, which remains above the Basel III requirements, allowing net local inter-bank transactions in the deposit base for lending ratio purposes, relaxing regulatory limits on maturity mismatches, withdrawing the minimum 100% risk-weighting requirement for exposures to debt from other sovereigns and central banks and increasing the limit on credit exposure to non-residents and to the placement of bank funds abroad. The limit on credit exposure to non-residents and to the placement of bank funds abroad has been revised and decreased as per CBO letter dated 21 May 2020. The CBO had previously issued norms for a Capital Conservation Buffer and a Countercyclical Capital Buffer of 2.50% each, in alignment with Basel III norms. In March 2020, the Capital Conservation Buffers were lowered to 1.25%, as part of stimulus measures in reaction to the COVID-19 pandemic. While these amendments are intended to strengthen banks' capacity to grant credit and provide liquidity to the economy, there can be no assurance that these measures will not result in the weakening of banks' credit profiles, including as result of a decline in banks' capitalisation buffers, an erosion of banks' asset quality will erode as a result of increased lending in a weakening environment, increased reliance on market funding and increased maturity mismatches. An unexpected deterioration in the health of the banking sector could lead to a weakening in the sovereign credit profile. Furthermore, the Government's deposits in the banking sector may be difficult to realise without causing disruption in domestic banks' funding requirements.

### ***Any adjustment to, or ending of, Oman's currency peg could negatively affect the economy and Government finances***

Since 1973, the Omani Rial has been pegged to the U.S. Dollar at a rate which has remained unchanged at U.S.\$2.60 = OMR 1 since 1986. The maintenance of this currency peg is a firm policy of the CBO. See "*Monetary Policy and Financial System—Exchange Rate Policy*". However, there is no assurance that the CBO will be able to continue to maintain the currency peg in the future. In particular, there can be no guarantee that the assets in Oman's various sovereign wealth funds could be liquidated at their current market value (and thus added to the reserves available to support the Omani Rial and thus the currency peg) in the event of a market downturn.

If the CBO cannot maintain the currency peg to the U.S. Dollar or, failing that, a stable exchange rate versus the U.S. Dollar, it could reduce confidence in Oman's economy, reduce foreign direct investment and adversely affect Oman's finances and economy and ability to service its debt. This could in turn lead to a material increase in gross government debt, since the majority of Oman's debt is denominated in foreign currencies.

In addition, because of the currency peg to the U.S. Dollar, the CBO does not have any flexibility to devalue the Omani Rial to stimulate Oman's exports market, and the CBO's ability to independently manage interest rates and, thus, influence the condition of the Omani economy via monetary policy actions is constrained. For example, if the U.S. Federal Reserve were to increase interest rates, and the CBO were to delay significantly in increasing its own rates, this could result in significant pressure on the currency peg. This lack of flexibility could have an adverse effect on Oman's foreign trade and domestic demand and, in turn, on its economy. In addition, recent IMF publications have linked increases in Federal Reserve policy rates to reductions in non-oil activity in GCC countries, an effect which may be magnified in low oil price environments.

### ***The statistics published by the Government may differ from those produced by other sources***

A range of ministries, public statistic agencies (including the National Centre for Statistics and Information and the CBO) produce statistics relating Oman and its economy, including statistics in relation to GDP, balance of payments, revenues and expenditure of the Government and indebtedness of the Sultanate. The statistical data appearing in this Base Prospectus has been obtained from public sources and documents. Investors may be able to obtain similar statistics from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source.

Additionally, the statistics produced by the Government may have certain weaknesses that could impede an analysis of the Omani economy. In August 2018, Oman subscribed to the IMF's enhanced General Data Dissemination Standard ("e-GDDS"), but data improvements in certain areas are still required. For example, the IMF has published plans for improvement of Government statistics, including the publication of a financial stability report and improvements to the basis for the compilation and publication of Oman's fiscal accounts, as well as further modernisation to accounting systems to in order to prepare fiscal accounts on an accrual basis (rather than a cash basis).

As a result of the foregoing, financial and economic information may differ from previously published figures and may subsequently be adjusted or revised. No assurance can be given that material changes will not be made. Consequently, the statistical data contained in this Base Prospectus should be treated with caution by prospective investors.

### ***Investing in securities involving emerging markets such as Oman generally involves a higher degree of risk***

Investing in securities involving emerging markets, such as Oman, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. Oman's economy is susceptible to future adverse effects similar to those suffered by other emerging market countries. International investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors, Oman could be adversely affected by negative economic or financial developments in other emerging market countries. Key factors affecting the environment include the timing and size of adjustments in interest rates in the United States, further evidence of a slowdown in China and geopolitical tensions in the Middle East, as well as on-going tensions between Russia and Ukraine.

In addition, certain emerging markets, including Turkey and Argentina, are currently experiencing adverse economic events, including depreciation of the local currency and rising inflation. Such events may reduce investors' interest in emerging markets in general, including Oman, and there can be no assurance that Oman will not be affected by investors' reactions to the negative economic conditions in Turkey, Argentina or elsewhere or more generally if a "contagion" effect occurs.

Accordingly, there can be no assurance that the market for securities bearing emerging market risk, such as the Trust Certificates, will not be affected negatively by events elsewhere, especially in emerging markets. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

### **Risk factors relating to the Trust Certificates**

#### ***The Conditions contain a "collective action" clause under which the terms of any one Series of Trust Certificates or multiple Series of Trust Certificates may be amended, modified or waived without the consent of all Certificateholders***

The Conditions (as defined below) contain provisions regarding amendments, modifications and waivers, commonly referred to as "collective action" clauses. Such clauses permit defined majorities to bind all Certificateholders, including Certificateholders who did not vote and Certificateholders who voted in a manner contrary to the majority. The relevant provisions also permit, in relation to Reserved Matters (as defined in the Conditions), multiple Series of Trust Certificates to be aggregated for voting purposes (**provided that** each such Series also contains the same or similar collective action clauses in the relevant Conditions).

The Trustee expects that all Series of Trust Certificates issued under the Programme will include such collective action clauses, thereby giving the Trustee the ability to request modifications or actions in respect of Reserved Matters across multiple Series of Trust Certificates. This means that a defined majority of the holders of such Series of Trust Certificates (when taken in the aggregate only, in some circumstances, and/or individually) would be able to bind all holders of Trust Certificates in all the relevant aggregated Series.

Any modification or actions relating to Reserved Matters, including in respect of payments and other important terms, may be made to a single Series of Trust Certificates with the consent of the holders of 75% of the aggregate principal amount outstanding of such Series of Trust Certificates, and to multiple Series of Trust Certificates which may be issued by the Trustee with the consent of both (i) the holders of 66<sup>2/3</sup>% of the aggregate principal amount outstanding of all Series of Trust Certificates being aggregated and (ii) the holders of 50% in aggregate principal amount outstanding of each Series of Trust Certificates being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Conditions), any such modification or action relating to Reserved Matters may be made to multiple Series of Trust Certificates with only the consent of 75% of the aggregate principal amount outstanding of all Series of Trust Certificates being aggregated, without requiring a particular percentage of the holders in any individual affected Series of Trust Certificates to vote in favour of any proposed modification or action. Any modification or action proposed by the Trustee or the Government (as the case may be) (with the agreement of the Delegate) may, at the option of the Trustee or the Government (as the case may be), be made in

respect of some Series of Trust Certificates only and, for the avoidance of doubt, the provisions may be used for different groups of two or more Series of Trust Certificates simultaneously. At the time of any proposed modification or action, the Trustee or the Government (as the case may be) will be obliged, inter alia, to specify which method or methods of aggregation will be used by the Trustee or the Government (as the case may be).

There is a risk therefore that the Conditions of a Series of Trust Certificates may be amended, modified or waived in circumstances whereby the Certificateholders voting in favour of an amendment, modification or waiver may be holders of different Series of Trust Certificates and as such, less—even significantly less - than 75% of the Certificateholders would have voted in favour of such amendment, modification or waiver.

In addition, there is a risk that the provisions allowing for aggregation across multiple Series of Trust Certificates may make the Trust Certificates less attractive to purchasers in the secondary market on the occurrence of a Dissolution Event or in a distress situation. Further, any such amendment, modification or waiver in relation to any Trust Certificates may adversely affect their trading price.

In the future, the Trustee or the Government (as the case may be) may issue debt securities, including securities that may not be issued under the Programme, which contain collective action clauses in the same form as the collective action clauses in the Conditions. If this occurs, then this could mean that any Series of Trust Certificates issued under the Programme would be capable of aggregation with any such future debt securities.

### ***Consents to variation of Transaction Documents***

The Conditions, the Trust Certificates, the provisions of the Master Trust Deed or any other Transaction Document can only be amended by the Government and the Trustee with the consent of the Delegate. The Delegate may agree, without the consent of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions, the Trust Certificates, the provisions of the Master Trust Deed or any other Transaction Document or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or Potential Dissolution Event shall not be treated as such, if, in the opinion of the Delegate:

- (a) such modification is of a formal, minor or technical nature; or
- (b) such modification is made to correct a manifest error; or
- (c) such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and is other than in respect of a Reserved Matter,

**provided that**, in the case of (c) above, no such modification, waiver, authorisation or determination may be made in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20% of the outstanding aggregate face amount of Trust Certificates.

Any such modification, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may determine, shall be binding upon the Certificateholders and shall as soon as practicable thereafter be notified by the Trustee to Certificateholders in accordance with Condition 18.

### ***Payments on the Trust Certificates are subject to exchange rate risks and exchange controls***

The Trustee will make payments on the Trust Certificates in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in the Investor's Currency other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. Dollars 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 U.S. Dollars would decrease (i) the Investor's Currency-equivalent yield on the Trust Certificates, (ii) the Investor's Currency-equivalent value of the Dissolution Amounts payable on the Trust Certificates and (iii) the Investor's Currency-equivalent market value of the Trust Certificates.

Government and monetary authorities (including where the investor is domiciled) may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Trustee to make payments in respect of the Trust Certificates or the Government to fulfil its obligations under the Transaction Documents. As a result, investors may receive lower Periodic Distributions Amounts or Dissolution Amounts than expected, or no such amounts.

***Credit ratings are subject to revision or withdrawal, either of which could adversely affect the trading price of the Trust Certificates***

One or more independent credit rating agencies may assign credit ratings to the Government or the Trust Certificates issued under the Programme. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and any other factors that may affect the value of the Trust Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EU 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). 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, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“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.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Trust Certificates changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EU or the UK, as applicable, and the Trust Certificates may have a different regulatory treatment, which may impact the value of the Trust Certificates and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, and/or review or regulation by certain authorities and regulators may apply different treatment of the Trust Certificates under different applicable risk-based capital or similar rules. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Trust Certificates are legal investments for it, (ii) the Trust Certificates can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Trust Certificates.

***The liquidity of the Trust Certificates may be limited and trading prices may fluctuate***

Trust Certificates issued under the Programme will (unless they are to be consolidated into a single Series with any Trust Certificates previously issued) be new Trust Certificates which may not be widely distributed and for which there is currently no active trading market. While an application has been made to list on the Official List and to trade the Trust Certificates on the Market, there is no assurance that such application will be accepted or that the Trust Certificates will develop an active trading market or, if one does develop, that it will be liquid or maintained. In addition, if the Trust Certificates are traded after their initial issuance they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Oman.

***Trust Certificates where denominations involve integral multiples: definitive Trust Certificates***

In relation to any issue of Trust Certificates which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Trust Certificates 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 face amount of less



than the minimum Specified Denomination would need to purchase an additional amount of Trust Certificates such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Trust Certificates.

A holder who holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Trust Certificate in respect of such holding (should definitive Trust Certificates be printed or issued) and would need to purchase a face amount of Trust Certificates at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination in order to be eligible to receive a definitive Trust Certificate.

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

#### ***Reliance on DTC, Euroclear and Clearstream, Luxembourg Procedures***

The Trust Certificates of each Series will be represented on issue by one or more Global Trust Certificates that may be deposited with a common depository for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC. Except in the circumstances described in each Global Trust Certificate, investors will not be entitled to receive Trust Certificates in definitive form. Each of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Trust Certificate held through it. While the Trust Certificates are represented by a Global Trust Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Trust Certificates are represented by Global Trust Certificates, the Trustee will discharge its payment obligations under the Trust Certificates by making payments through the relevant clearing system. A holder of a beneficial interest in a Global Trust Certificate must rely on the procedures of the relevant clearing systems and its participants in relation to payments under the Trust Certificates. Neither the Trustee nor the Government has any responsibility or liability for the records relating to, or payment made in respect of, ownership interests in any Global Trust Certificate.

Holders of ownership interests in a Global Trust Certificate will not have a direct right to vote in respect of the Trust Certificates 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.

#### ***The Government is not required to effect equal or rateable payment(s) with respect to its other debt obligations, and is not required to pay other debt obligations at the same time or as a condition of paying sums due under the Transaction Documents and vice versa***

The payment obligations of the Government (acting in all its capacities under the Transaction Documents) will at all times rank at least *pari passu* with all other Relevant Indebtedness of the Government. However, the Government will have no obligation to effect equal or rateable payment(s) at any time with respect to any other Relevant Indebtedness of the Government and, in particular, will have no obligation to pay other Relevant Indebtedness at the same time or as a condition of paying sums due under the Transaction Documents and vice versa. Accordingly, the Government may choose to grant preferential treatment to, and therefore prioritise payment obligations to, other creditors of the Government as payments fall due.

#### ***The Trust Certificates are unsecured obligations and there is no limitation on the Government's ability to issue guarantees, pari passu securities or to incur additional indebtedness in the future***

The Certificateholders will not have the benefit of security and as a result will not have a claim to those assets that secure the debt held by secured creditors of the Government. The Government has in the past issued guarantees and securities and incurred indebtedness and intends to continue to do so from time to time in the future. In addition, there is no restriction on the amount of guarantees, securities or other additional indebtedness which the Government may issue or incur and which rank *pari passu* with the Trust Certificates. The issue of any such guarantees or securities and the incurrence of any such additional indebtedness may reduce the amount (if any) recoverable by the Certificateholders in certain scenarios.

#### ***The Trust Certificates may be an ownership interest for the purposes of the Volcker Rule***

The Trustee may be a "covered fund" for the purposes of the Volcker Rule. Further, the Trust Certificates may constitute an "ownership interest" for the purposes of the Volcker Rule. As a result, the Volcker Rule may, subject to certain exemptions, prohibit certain banking institutions from, directly or indirectly, acquiring or retaining the Trust Certificates. This prohibition may adversely affect the liquidity and market price of the Trust Certificates. In addition, any entity that

is a “banking entity” under the Volcker Rule and is considering an investment in the Trust Certificates should consider the potential impact of the Volcker Rule in respect of such investment and on its portfolio generally.

### **Risks related to Trust Certificates which are linked to “benchmarks”**

Reference rates and indices, including periodic distribution rate benchmarks, such as the London Interbank Offered Rate (“**LIBOR**”), which are used to determine the amounts payable under financial instruments or the value of such financial instruments (“**Benchmarks**”), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Trust Certificates referencing or linked to such Benchmark and the value of and return on any such Trust Certificates.

#### ***Discontinuation of LIBOR or other Benchmarks***

Following a review, undertaken at the request of the UK government, on the setting and usage of LIBOR, the International Organisation of Securities Commissions (“**IOSCO**”) created a task force to draft principles to enhance the integrity, reliability and oversight of Benchmarks generally, resulting in the publication in July 2013, of 19 principles which are to apply to Benchmarks used in financial markets (the “**IOSCO Principles**”). The IOSCO Principles provide an overarching framework for Benchmarks used in financial markets and are intended to promote the reliability of Benchmark determinations and address Benchmark governance, quality and accountability mechanisms. The Financial Stability Board subsequently undertook a review of major interest rate Benchmarks and published a report in 2014, outlining its recommendations for change, to be implemented in accordance with the IOSCO Principles. In addition, in June 2016, Regulation (EU) 2016/1011 (the “**EU Benchmarks Regulation**”) came into force. The EU Benchmark Regulation implements a number of the IOSCO Principles and forms part of domestic law by virtue of the EUWA.

In 2017, the then-Chief Executive of the FCA questioned the sustainability of LIBOR in its current form, given that the underlying transactions forming the basis of the benchmark are insufficient to support the volumes of transactions that rely upon it, and made clear the need to transition away from LIBOR to alternative reference rates. He and other FCA officials have subsequently emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. On 5 March 2021, ICE Benchmark Administration Limited (“**IBA**”), the administrator of LIBOR, published a statement confirming its intention to cease publication of all LIBOR settings, together with the dates on which this will occur, subject to the FCA exercising its powers to require IBA to continue publishing such LIBOR settings using a changed methodology (the “**IBA announcement**”). Concurrently, the FCA published a statement on the future cessation and loss of representativeness of all LIBOR currencies and tenors, following the dates on which IBA has indicated it will cease publication (the “**FCA announcement**”). Permanent cessation will occur immediately after 31 December 2021 for all Euro and Swiss Franc LIBOR tenors and certain Sterling, Japanese Yen and US Dollar LIBOR settings and immediately after 30th June 2023 for certain other USD LIBOR settings. In relation to the remaining LIBOR settings (1-month, 3-month and 6-month Sterling, US Dollar and Japanese Yen LIBOR settings), the FCA will consult on, or continue to consider the case for, using its powers to require IBA to continue their publication under a changed methodology for a further period after end-2021 (end-June 2023 in the case of US Dollar LIBOR). The FCA announcement states that consequently, these LIBOR settings will no longer be representative of the underlying market that such settings are intended to measure immediately after 31 December 2021, in the case of the Sterling and Japanese Yen LIBOR settings and immediately after 30 June 2023, in the case of the USD LIBOR settings. Any continued publication of the Japanese Yen LIBOR settings will also cease permanently at the end of 2022.

Other interbank offered rates such as EURIBOR (the European Interbank Offered Rate) (together with LIBOR, the “**IBORs**”) suffer from similar weaknesses to LIBOR and although work continues on reforming their respective methodologies to make them more grounded in actual transactions, they may be discontinued or be subject to changes in their administration. Changes to the administration of an IBOR or the emergence of alternatives to an IBOR, may cause such IBOR to perform differently than in the past, or there could be other consequences which cannot be predicted. The discontinuation of an IBOR or changes to its administration could require changes to the way in which the profit rate is calculated in respect of any Trust Certificates referencing or linked to such IBOR. The development of alternatives to an IBOR may result in Trust Certificates linked to or referencing such IBOR performing differently than would otherwise have been the case if the alternatives to such IBOR had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Trust Certificates linked to or referencing such IBOR.

Whilst alternatives to certain IBORs for use in the bond market (including the Sterling Overnight Index Average (“**SONIA**”) (for Sterling LIBOR) and rates that may be derived from SONIA) are being developed, outstanding Trust Certificates linked to or referencing an IBOR may transition away from such IBOR in accordance with the fallback arrangements set out in their terms and conditions. The operation of these fallback arrangements could result in a different return for Certificateholders (which may include payment of a lower profit rate on the Trust Certificates) than they might

receive under other similar securities which contain different or no fallback arrangements (including which they may otherwise receive in the event that legislative measures or other initiatives (if any) are introduced to transition from any given IBOR to an alternative rate).

Benchmark Events (as described in Condition 8.9) include (amongst other events) permanent discontinuation of an Original Reference Rate. The IBA announcement and the FCA announcement referred to above each constitute a Benchmark Event. This will have triggered certain of the fallback arrangements although the consequence of such fallbacks being triggered are not immediately effective under the Terms and Conditions. If a Benchmark Event occurs, the Trustee or the Government, as the case may be, shall use its reasonable endeavours to appoint an Independent Adviser to determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate. The Trustee or the Government, as the case may be, may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the Conditions. If the Trustee or the Government, as the case may be, is unable to appoint an Independent Adviser or, the Independent Adviser fails to determine a Successor Rate or Alternative Rate for the life of the relevant Trust Certificates, the initial Rate, or the Rate applicable as at the last preceding Periodic Distribution Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the floating rate Trust Certificates, in effect, becoming fixed rate Trust Certificates.

Where ISDA Determination is specified as the manner in which the Rate in respect of floating rate Trust Certificates is to be determined, the Conditions provide that the Rate in respect of the Trust Certificates shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate that would be applicable, and may, adversely affect the value of, and return on, the floating rate Trust Certificates.

***Oman is a sovereign state and accordingly it may be difficult to obtain or enforce judgments against it regardless of any waiver of immunity***

Ultimately the payments under the Trust Certificates are dependent upon the Government making payments in the manner contemplated under the Transaction Documents. If the Government fails to do so, it may be necessary for an investor to bring an action against the Government to enforce its obligations and/or to claim damages, as appropriate, which could be both time consuming and costly.

Oman is a foreign sovereign state. Consequently, it may be difficult for investors to obtain or realise upon arbitral awards or judgments of the LCIA, courts in England or the United States or any other courts against the Trustee and/or the Government. Each of the Trustee and the Government has irrevocably submitted to the jurisdiction of the LCIA and waived any immunity from the jurisdiction (including sovereign immunity) of such arbitral tribunal in connection with any action arising out of or based upon the Trust Certificates brought by any holder of Trust Certificates. Although no governmental entities are immune from suit, public assets and private assets owned by government entities are protected from attachment in the event of legal proceedings against the Trustee and/or the Government in accordance with Articles 366 of the Oman Civil and Commercial Procedures Law and 56 of the Civil Code. Accordingly, there can be no guarantee that the waiver of sovereign immunity in the Transaction Documents from legal proceedings and attachments of assets owned by the Trustee and/or the Government will be enforced by the Omani courts in the future. See "*Jurisdiction and Enforcement*" and "*Terms and Conditions of the Trust Certificates*".

***There may be limitations on the enforcement of foreign judgments or arbitral awards in Oman***

Foreign arbitral awards may be enforced in Oman pursuant to: (i) treaty obligations or (ii) the Oman Civil and Commercial Procedure Law. Oman has acceded to the New York Convention, and ratified the Riyadh Convention. Although Oman has been a party to the New York Convention since 1998, each of the Trustee and the Government is aware of only one case which has come before the Supreme Court of Oman in 2011 in relation to the enforcement of a foreign arbitral award issued by a contracting state. Whilst in that case the Supreme Court of Oman held that the arbitral award was recognised and enforceable in Oman, it should be noted that there is no doctrine of binding precedent under Omani Law, although decisions of the Supreme Court of Oman may be persuasive. Each of the Trustee and the Government has no reason to believe, however, that the Omani Courts would not enforce an arbitral award passed in a contracting state (without the need to re-examine or re-litigate), subject only to no valid argument being raised that the enforcement of that arbitral award should be refused on one or more of the grounds set out in Article V of the New York Convention or that the subject matter of the award is against public order or morality in Oman. However, the enforcement in Oman of any of the obligations of any party under any of the Trust Certificates or the Transaction Documents will ultimately require an order for enforcement by the Omani Courts, which order is subject to discretion, including as to the manner in which such court would interpret and apply the New York Convention.

If the foreign arbitral award is not enforceable pursuant to a treaty obligation (for example, an award is passed in a country that is not a signatory to the New York Convention or Riyadh Convention), then such award may still be enforceable in Oman subject to the satisfaction of the conditions set out in Articles 352 to 355 of the Oman Civil and Commercial Procedure Law. In accordance with Article 352 of the Oman Civil and Commercial Procedure Law, the Omani Courts possess an inherent jurisdiction to enforce foreign awards. When considering the enforcement of arbitral awards in the above circumstances, the Omani Courts will need to be satisfied that the following conditions have been met (reading “judgment” as “award”):

- (a) it is passed by a competent judicial authority in accordance with the international jurisdiction rules applicable in the country in which the judgment or order is passed, and becomes final according to that law and was not grounded on deception;
- (b) the parties to the dispute were summoned to appear and were properly represented;
- (c) it does not include any requests, the basis of which breaches the laws enforced in Oman;
- (d) it does not contradict any judgment or order previously issued by the Omani Courts, and it does not include anything contravening public order or morals;
- (e) the country in which the said judgment or award was signed accepts the execution of judgments of Omani Courts within its territories; and
- (f) the matter that has been arbitrated upon in the foreign jurisdiction is capable of being determined by arbitration under Omani Law (Article 353).

In the event that the conditions of Articles 352 to 355 of the Oman Civil and Commercial Procedure Law are not met by a foreign arbitral award, such foreign arbitral award may be of evidentiary value only in a full hearing before the Omani Court and the matter may have to be litigated de novo before the Omani Courts.

There is no established system of precedent that would be binding on the Omani Courts. If enforcement of the Trust Certificates were sought before the Omani Courts, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Trust Certificates would be interpreted and applied by those courts and whether all of the provisions of the Trust Certificates would be enforceable.

Foreign judgments may be enforced in Oman pursuant to: (i) treaty obligations; or (ii) the Oman Civil and Commercial Procedure Law. The only treaties of note are the AGCC Protocol and the Riyadh Convention.

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 Oman Civil and Commercial Procedure Law being met, each of the Trustee and the Government is not aware of a foreign (*i.e.*, non-Omani and non-Arab GCC) judgment ever having been enforced in Oman. In the absence of the conditions set out in Articles 352 to 355 of the Oman Civil and Commercial Procedure Law being met, an English or U.S. judgment against the Trustee would not be enforced by the Omani Courts without a re-examination of the merits and the English or U.S. judgment may be of evidential value only in any such proceedings filed before the Omani Courts.

If any proceedings were brought in Oman (whether in connection with the enforcement of an English or U.S. judgment or otherwise), pursuant to the Civil Code, the Omani Courts would recognise and give effect to the choice of English law if it is the governing law, unless any provision of English law were considered to be contrary to a mandatory provision of Omani Law, public order or morality or Islamic *Sharia* principles.

If enforcement of the Trust Certificates were sought before the Omani Courts, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Trust Certificates would be interpreted and applied by those courts and whether all of the provisions of the Trust Certificates would be enforceable.

Oman is a civil law jurisdiction. Court judges enjoy much greater freedom to interpret agreements in any way which, in their opinion, correctly reflects the intention of the parties if the terms of the relevant agreement are ambiguous. The judge’s interpretation can extend to amending the contract, if the judge feels that to do so would better reflect the original intention of the parties.

It is to be noted that no established system of precedent is adhered to by the Omani Courts although decisions of the Supreme Court of Oman should be persuasive.

### ***Change of law***

The structure of the issue of the Trust Certificates under the Programme is based on English law and Omani 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 or Omani Law 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 Trustee to make payments under the Trust Certificates or of the Trustee and the Government to comply with their respective obligations under the Transaction Documents.

### ***Change of 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 (i) the ability of the Trustee to service the Trust Certificates; (ii) the market value of the Trust Certificates; and (iii) the ability of the Trustee and the Government to comply with their respective obligations under the Transaction Documents.

Payments made by the Government to the Trustee under the Transaction Documents or by the Trustee in respect of the Trust Certificates will be subject to taxation. The Transaction Documents require the Government to pay additional amounts in the event that any withholding or deduction is required by Omani law to be made in respect of payments made by it to the Trustee which are intended to fund Periodic Distribution Amounts and Dissolution Amounts. Condition 13 provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions imposed by the Sultanate of Oman in certain circumstances. If the Trustee fails to gross-up for any such withholding or deduction on payments due in respect of the Trust Certificates to Certificateholders, the Government has, pursuant to the Master Trust Deed, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to, or to the order of, the Delegate (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Trust Certificates pursuant to Condition 13 in respect of any withholding or deduction in respect of any tax as set out in that Condition.

### ***Claims for specific performance in Oman***

If the Government fails to perform its obligations under any Transaction Document, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific performance of the Trustee's obligations or a claim for damages. There is no assurance that an Omani court will provide an order for specific performance which is a discretionary matter and the related provisions under Omani law are relatively new and untested.

The amount of damages, which an Omani Court may award in respect of a breach, will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which an Omani Court may award, or on whether an injunction would be awarded, if the Trustee fails to perform its obligations set out in the Conditions.

### ***The Trust Certificates are limited recourse obligations***

Recourse to the Trustee in respect of each Series of Trust Certificates is limited to the Trust Assets of that Series and proceeds of such Trust Assets are the sole source of payments on the relevant Trust Certificates.

Upon the occurrence of a Dissolution Event or early dissolution pursuant to Condition 11, the sole rights of each of the Trustee, the Delegate and, in certain limited circumstances, the Certificateholders of the relevant Series of Trust Certificates will be against the Trustee and the Government, as applicable, to perform their respective obligations under the Transaction Documents. Certificateholders will otherwise have no recourse to any assets of the Trustee, the Delegate, the Government, the Arrangers, the relevant Dealer(s), the Agents or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts due under the relevant Trust Assets. Certificateholders will also not be able to institute against, or join any other person in instituting against the Trustee, any bankruptcy, arrangement, reorganisation, administration or liquidation proceedings or other proceedings under any bankruptcy or similar law in any jurisdiction as a consequence of such shortfall or otherwise. The Government is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and the Delegate will have direct recourse against the Government to recover payments due to the Trustee from the Government pursuant to the Transaction Documents. There can be no assurance that the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets will be sufficient to make all payments due in respect of the Trust Certificates of the relevant Series. After enforcing or realising the relevant Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 5.2, the

Trustee shall not be liable for any further sums and no Certificateholder may take any further steps against the Trustee or any other person to recover any further sums in respect of such Trust Certificates. Furthermore, under no circumstances shall any Certificateholder, the Trustee or the Delegate have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents and/or the Conditions) and the sole right of the Trustee, the Delegate and the Certificateholders against the Trustee and the Government, as applicable, shall be to enforce the obligation of the Trustee to perform their respective obligations under the Transaction Documents.

## **Risks relating to the Trust Assets**

### ***Ownership of the Relevant Lease Asset(s)***

The *Sharia* analysis is as follows: an ownership interest in the Asset(s) or Additional Asset(s), as applicable will pass to Oman Sovereign Sukuk S.A.O.C. under the relevant Purchase Agreement and Oman Sovereign Sukuk S.A.O.C. will lease the Relevant Lease Asset(s) to the Government under the relevant Lease Agreements. Oman Sovereign Sukuk S.A.O.C. will declare a trust in respect of the Relevant Lease Asset(s) and the other Trust Assets in favour of the Certificateholders of the relevant Series pursuant to the relevant Trust Deed. However, no investigation or enquiry will be made and no due diligence will be conducted in respect of any Relevant Lease Asset(s) of any Series. The Relevant Lease Asset(s) will be selected by the Government, and the Certificateholders, the Trustee, the Agents and the Delegate will have no ability to influence such selection. Only limited representations will be obtained from the Government in respect of the Relevant Lease Asset(s) of any Series. Accordingly, there is a risk of a defect in title of the Relevant Lease Asset(s) or that the Relevant Lease Asset(s) selected may not be sufficient to ensure that the payment obligations under the relevant Trust Certificates are serviced.

### ***Transfer of the Asset(s)***

Under Omani law, any transfer of an interest in real estate (including as may be contemplated under the relevant Purchase Agreement or the relevant Sale Agreement entered into pursuant to the Purchase Undertaking or Sale and Substitution Undertaking, as the case may be) shall not be effective under Omani law unless registered with the Ministry of Housing and Urban Planning and the applicable fee is paid and in the absence of such registration and payment the relevant agreement shall be unenforceable as against third parties.

No investigation has been or will be made as to whether the/any Relevant Lease Asset may be transferred as a matter of the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if the relevant Purchase Agreement will have the effect of transferring the Asset(s) or Additional Asset(s), as applicable, of the relevant Series.

Nevertheless, as indicated earlier, although, the *Sharia* analysis is such that an ownership interest in the Asset(s) or Additional Asset(s), as applicable, will pass to the Trustee under the relevant Purchase Agreement, the Certificateholders will not have any rights of enforcement as against the Relevant Lease Asset(s) and their rights are limited to enforcement against the Government of its obligation to purchase the Relevant Lease Asset(s) pursuant to the terms of the Purchase Undertaking in accordance with the terms of the Transaction Documents and the Conditions.

However, the Government has covenanted (or will covenant) in:

- (i) the relevant Supplemental Purchase Agreement that, to the extent that the sale and purchase, transfer or conveyance of its (in its capacity as seller) rights, title and interests in, to and under the/any Asset(s) or Additional Asset(s) (as the case may be) is not (or is alleged not to be) effective in any jurisdiction for any reason and the Exercise Price (or the Certificateholder Put Right Exercise Price, as the case may be) payable pursuant to the Sale and Substitution Undertaking or Purchase Undertaking, as the case may be, is not paid in full when due, to:  
(A) make payment of an amount equal to the Purchase Price (as defined in the relevant Supplemental Purchase Agreement) (or the relevant part thereof) by way of restitution to the Trustee (in its capacity as purchaser) immediately upon request; and/or (B) indemnify fully the Trustee for the purpose of redemption of the outstanding Trust Certificates of the relevant Series (or Certificateholder Put Right Trust Certificates, as the case may be, as defined in the Purchase Undertaking) and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price (or the Certificateholder Put Right Exercise Price, as the case may be), in each case, without duplication or double counting;
- (ii) the Purchase Undertaking that it will fully accept all or any ownership interest the Trustee may have in the Relevant Lease Asset(s) (including any Certificateholder Put Right Lease Asset(s), as the case may be, and as defined in the Purchase Undertaking) and, if the Government does not accept such ownership interest or if that ownership interest is disputed or challenged, will fully indemnify the Trustee for the purpose of redemption in full of the relevant Series of Trust Certificates (or the Certificateholder Put Right Trust Certificates, as the case

may be, and as defined in the Purchase Undertaking) and, accordingly, the amount payable under such indemnity will equal the relevant Exercise Price (or Certificateholder Put Right Exercise Price, as the case may be); and

- (iii) the Master Trust Deed that it will immediately upon demand (but without any double counting): (a) make payment to the Trustee or the Delegate (as applicable) of an amount equal to the Purchase Price (as defined in the relevant Supplemental Purchase Agreement) in respect of any Initial Defective Sale by way of restitution and (b) indemnify fully the Trustee or the Delegate (as applicable) (each acting for and on behalf of the Certificateholders) for the relevant Exercise Price (or Certificateholder Put Right Exercise Price, as the case may be) expressed to be due and payable under, the Purchase Undertaking or the Sale and Substitution Undertaking, as applicable, at the relevant time if, as a result of either an Initial Defective Sale or a Subsequent Defective Sale, the Trustee or the Delegate (as applicable) is unable to realise in full, or does not actually receive in full, the relevant Exercise Price (or Certificateholder Put Right Exercise Price, as the case may be) which is expressed to be due and payable under either the Purchase Undertaking or the Sale and Substitution Undertaking, as applicable, at the relevant time.

For this purpose, an “**Initial Defective Sale**” will occur if the sale, purchase, transfer and conveyance of any rights, title, and interest in, to and under the/any relevant Asset(s), Additional Asset(s) or New Lease Asset(s), as applicable (each as defined in the relevant Supplemental Purchase Agreement) from the Government (in its capacity as seller) to the Trustee (in its capacity as purchaser) under the relevant Purchase Agreement or Sale Agreement, as the case may be, is not valid or effective, or becomes invalid or ineffective, in whole or in part, in any jurisdiction for any reason, and a “**Subsequent Defective Sale**” will occur if the sale, purchase, transfer and conveyance of any of the Trustee’s rights, title and interest, in, to and under, *inter alia*, the Relevant Lease Asset(s) (or proportion thereof, as the case may be) pursuant to the exercise of the Purchase Undertaking or the Sale and Substitution Undertaking, as applicable, is not valid or effective, or becomes invalid or ineffective, in whole or in part, in any jurisdiction for any reason, including without limitation, by reason of any Initial Defective Sale.

#### ***Total Loss Event***

From a *Sharia* perspective, the Trustee (in its capacity as lessor) is required, among other things, to insure the Relevant Lease Asset(s). The Trustee has appointed the Government as its servicing agent, which has undertaken in the Servicing Agency Agreement, *inter alia*, to insure the Relevant Lease Asset(s) in the name of the Trustee (as lessor) against the occurrence of a Total Loss Event for their Full Reinstatement Value (and to ensure, in relation to each relevant Series, that such amount is not at any time less than, *inter alia*, the aggregate face amount of Trust Certificates of such Series then outstanding plus accrued but unpaid Periodic Distribution Amounts). A “**Total Loss Event**” is defined as the total loss or destruction of, or damage to the whole of, the Relevant Lease Asset(s) or any event or occurrence that renders the whole of the Relevant Lease Asset(s) permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Relevant Lease Asset(s)) the repair or remedial work in respect thereof is wholly uneconomical.

Nevertheless, should such an event occur, the relevant Lease will automatically terminate and unless the Government procures new assets by the 30th day after the occurrence of the Total Loss Event, which new assets will be the subject of a replacement Supplemental Lease Agreement, the Trust Certificates of the relevant Series will be repaid using the proceeds of the Insurances received by the Trustee. In this scenario, potential investors should be aware that: (i) Rental under the Lease will cease upon the occurrence of a Total Loss Event as that Lease will have terminated and (ii) there may be a delay in the Trustee receiving the proceeds of Insurance (if any) and therefore in the relevant Certificateholders receiving the relevant Dissolution Amount in respect of their Trust Certificates. In this regard, the Servicing Agency Agreement provides that if the proceeds of the Insurances for an amount equal to the Full Reinstatement Value are not paid directly into the Transaction Account within 30 days of the occurrence of the Total Loss Event (or such amount paid is less than the Full Reinstatement Value), the Government, as Servicing Agent, shall have failed in its responsibility to properly insure the Relevant Lease Asset(s) and accordingly (unless it proves beyond any doubt that any shortfall in the proceeds of Insurances is not attributable to its negligence or its failure to comply with the terms of the Servicing Agency Agreement relating to the Insurances) the Government shall be responsible for paying any shortfall (such amount being the Total Loss Shortfall Amount) directly into the Transaction Account. The Delegate will be entitled to enforce this undertaking against the Government on behalf of the Trustee and the Certificateholders of the relevant Series.

#### ***The Trust Certificates may be subject to early dissolution by the Government***

An early dissolution feature of any Trust Certificate is likely to limit its market value. During any period when the Government may elect to dissolve Trust Certificates, the market value of those Trust Certificates generally will not rise substantially above the dissolution amount payable. This also may be true prior to any dissolution period.

The Government may be expected to exercise an early redemption option when the Government’s cost of financing is lower than the profit rate on the Trust Certificates. At those times, an investor generally would not be able to reinvest the

redemption proceeds at an effective profit rate as high as the profit rate on the Trust Certificates 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.

***There is no assurance that the Trust Certificates will be compliant with the principles of Islamic finance***

The *Sharia* Supervisory Board of Alizz Islamic Bank SAOC, Citi Islamic Investment Bank E.C. - *Sharia* Advisory Board, Dar Al *Shariah*, the *Shariah* Board advisers to Dubai Islamic Bank P.J.S.C., the Global *Shariah* Supervisory Board of Gulf International Bank B.S.C., the HSBC Global *Shariah* Supervisory Committee, Sh. Nizam Yaquby and Dr. Sh. Mohamed Elgari, the *Shariah* advisors to J.P. Morgan Securities plc, the Fatwa and *Sharia'a* Supervisory Board of KFH Capital Investment Company K.S.C.C. and the Global *Shariah* Supervisory Committee of Standard Chartered Bank has confirmed that the Transaction Documents are, in their view, compliant with the principles of *Sharia* as applicable to, and interpreted by them. However, there can be no assurance that the Transaction Documents or any issue and trading of any Trust Certificates will be deemed to be *Sharia* compliant by any other *Sharia* board or *Sharia* scholars. None of the Trustee, the Government, the Delegate, the Arrangers, the Dealers or the Agents makes any representation as to the *Sharia* compliance of any Tranche and potential investors are reminded that, as with any *Sharia* views, differences in opinion are possible and different *Sharia* standards may be applied by different *Sharia* boards. Potential investors should obtain their own independent *Sharia* advice as to the compliance of the Transaction Documents and the issue and trading of any Tranche with their individual standards of compliance with *Sharia* principles. Questions as to the *Sharia* permissibility of the structure or the issue and the trading of the Trust Certificates may limit the liquidity and adversely affect the market value of the Trust Certificates.

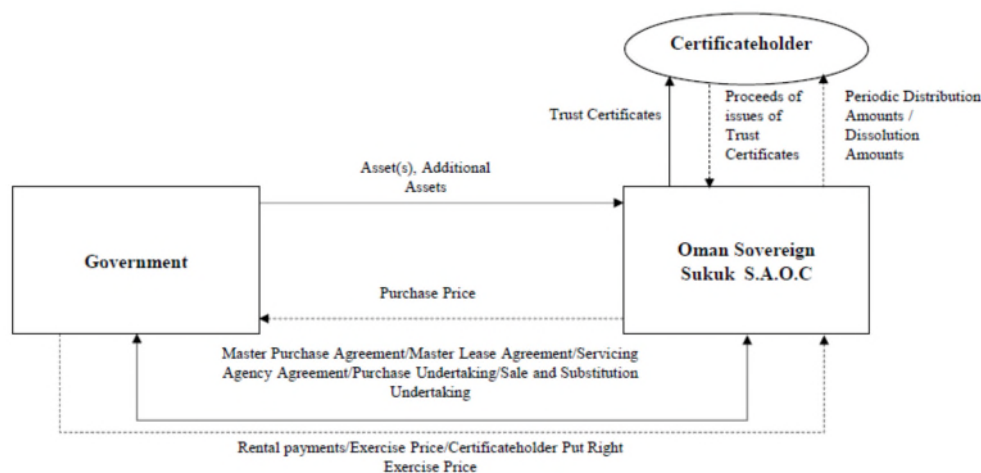
***Sharia requirements in relation to interest awarded by a court***

In accordance with applicable *Sharia* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by an arbitrator as a result of any arbitration and/or by a court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment or arbitral award given against the Government, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.



## STRUCTURE DIAGRAM AND CASHFLOWS

Each Series of Trust Certificates to be issued under the Programme will be issued pursuant to an *ijara* structure. Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series of Trust Certificates to be issued under the Programme. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this document for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.



### Cashflows

#### *Payments by the Certificateholders and the Trustee*

On the Issue Date of each Tranche of Trust Certificates, the relevant Certificateholders will pay the issue price (the “**Issue Proceeds**”) in respect thereof to the Trustee, who will in turn use such proceeds as the purchase price (the “**Purchase Price**”) payable under the relevant Supplemental Purchase Agreement for the relevant Asset(s) or (in the case of each subsequent Tranche of such Series) as the purchase price for the relevant Additional Asset(s). The Asset(s) or Additional Asset(s) (as the case may be) will comprise any asset (including, but not limited to, a share of the Government’s interest in land, fixed plant and machinery, or infrastructure) that is free and clear of all encumbrances, is owned by the Government and is capable of being sold and leased (each an “**Eligible Asset**”).

The Asset(s) or Additional Asset(s), as applicable, to be purchased by the Trustee on the Issue Date will comprise Eligible Assets. Under the Sale and Substitution Undertaking, the Government may substitute or replace the Relevant Lease Asset(s) with assets the identity of which may be determined by the Government in its sole and absolute discretion, **provided that** the value of such assets (as determined by reference to the relevant internal Government valuation on the Substitution Date (as defined in the Sale and Substitution Undertaking)) is equal to or greater than the value of the substituted or replaced Relevant Lease Asset(s) (as determined by reference to the relevant internal Government valuation on the date on which such substituted or replaced Relevant Lease Asset(s) were acquired by the Trustee) and that such assets comprise real estate assets or other assets that are capable of being leased and which, in any case, are used for *Sharia* compliant purposes.

#### *Periodic Payments by the Trustee*

Prior to each Periodic Distribution Date, the Government (in its capacity as lessee) will pay to the Trustee (in its capacity as lessor) an amount reflecting the rental due in respect of the Relevant Lease Asset(s), which is intended to be sufficient to fund the Periodic Distribution Amounts payable by the Trustee under the Trust Certificates and shall be applied by the Trustee for that purpose.

#### *Dissolution Payments*

On the Scheduled Dissolution Date, the Trustee and the Delegate will have the right under the Purchase Undertaking to require the Government (in its capacity as obligor) to purchase all of its rights, title and interests in, to and under the Relevant Lease Asset(s) for an amount equal to the Exercise Price.

The Exercise Price payable by the Government (in its capacity as Purchaser) to the Trustee (in its capacity as seller) is intended to fund the relevant Final Dissolution Amount payable by the Trustee under the Trust Certificates.

The Trust may be dissolved prior to the Scheduled Dissolution Date for a number of reasons including (i) upon the occurrence of a Total Loss Event (as defined herein); (ii) upon the occurrence of a Dissolution Event (as defined herein) or (iii) in certain cases where so specified in the applicable Final Terms, at the option of the Government or any Certificateholder, as the case may be. In the case of (ii) and (iii) above, the relevant Dissolution Amount will be funded by requiring the Government to purchase the Relevant Lease Asset(s) and paying the relevant Exercise Price (or Certificateholder Put Right Exercise Price, as the case may be) to or to the order of the Trustee (pursuant to the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be). In the case of (i) above, the Dissolution Amount will be funded using any proceeds of Insurances (as defined in the Servicing Agency Agreement) payable in respect of the Total Loss Event (as defined herein) (save where the Government replaces the Relevant Lease Asset(s) as provided in the Servicing Agency Agreement), which are required to be paid into the Transaction Account (as defined herein) by no later than the 30th day after the occurrence of the Total Loss Event.

Should there be any shortfall in the proceeds of the Insurances paid into the Transaction Account for funding the amounts payable by the Trustee on the due date for dissolution in the case of (i) above, unless the Servicing Agent proves beyond any doubt that such shortfall is not in any way attributable to its negligence nor its failing to comply with the terms of the Servicing Agency Agreement relating to the Insurances, the Servicing Agent will irrevocably and unconditionally undertake to pay an amount equal to such shortfall into the Transaction Account by no later than close of business in London on the 30th day after the occurrence of the Total Loss Event.

## **USE OF PROCEEDS**

The net proceeds of each Tranche of Trust Certificates issued under the Programme will be paid by the Trustee (in its capacity as purchaser) on the Issue Date to or to the order of the Government (in its capacity as seller) as the purchase price for the Asset(s) or Additional Asset(s), as applicable, pursuant to the relevant Purchase Agreement (as defined in the Conditions).

The amounts subsequently received by the Government in consideration for the transactions entered into with the Trustee as set out above, will be applied by the Government for its general budgetary purposes. If there is a particular identified use of proceeds, it will be stated in the applicable Final Terms.

## RESPONSE TO COVID-19

In common with most other countries, the COVID-19 pandemic has and will continue to have a significant effect on Oman. As at 3 June 2021, the Government reported 220,702 infections in Oman and 2,385 deaths. Approximately 202,021 people have reportedly recovered from the virus in Oman. Actual numbers of those who have contracted the virus may be even higher due to infections and deaths that remain undiscovered. The Government has taken a number of measures in response to the COVID-19 pandemic.

See “*Risk Factors—Risk Factors in relation to the Issuer—COVID-19 Pandemic*”.

### Government Policy Response

On 10 March 2020, the Government formed a Supreme Committee (the “**Supreme Committee**”) to supervise and oversee the Government’s response to the COVID-19 outbreak in Oman. All decisions related to the national response to the COVID-19 pandemic are taken by the Supreme Committee on behalf of the Government. Since the outbreak the Supreme Committee has taken a number of measures to protect the safety of Oman’s citizens and residents and to mitigate the economic impact of the pandemic. In the months following the outbreak, curfews and restrictions on movement have been introduced including the suspension of all travel in and out of Oman, most shops, businesses and tourist sites have been directed to remain closed, the wearing of masks in public has been made compulsory, spending on healthcare has been prioritised whereas budgets for other ministries and state bodies have been reduced, financial contributions to healthcare have been encouraged and steps have been taken to lessen the negative effects on businesses and households, as further detailed below.

### Emergency Health Measures

In mid-March 2020, the Supreme Committee announced the introduction of certain curfew and social distancing measures, as part of its emergency measures to limit the spread of the COVID-19 virus. On 10 April 2020, following directions of the Supreme Committee the entire governorate of Muscat was put under lockdown until 22 April 2020, with such lockdown extended twice before being lifted on 29 May 2020. Further localised lockdowns have been implemented with the governorate of Dhofar, the wilayat of Masirah, the wilayat of Duqm and the areas of Jebel Akhdar and Jebel Shams placed in lockdown from 13 June 2020 until 3 July 2020. On 25 July 2020, Oman entered into a major nationwide lockdown until 26 August 2020, aimed at limiting the spread of COVID-19. The lockdown in all governorates of Oman was lifted on 16 August 2020, except for the governorate of Dhofar where a localised lockdown continued until 30 September 2020. A curfew from 8 p.m. to 5 a.m. was imposed in Muscat from 11 to 24 October 2020. The Supreme Committee for dealing with COVID-19 will continue monitoring the number of recorded cases and take further action as required.

On 23 March 2020, the Supreme Committee directed all public sector bodies and ministries to allow only 30% of employees to attend offices and require all other employees to work remotely. This was increased to 50% from 31 May 2020 onwards. Public sector services are functional and over 60% of public sector employees (except those considered higher risk) have returned to work, operating under prescribed safety guidelines. Private companies have been allowed to resume most business operations, provided that social distancing guidelines and other safety directives are observed accordingly. Public gatherings remain prohibited and the wearing of face masks in public spaces is mandatory. The Government has made wearing masks mandatory in public, including at all corporate and social gatherings, and fines of OMR 100 have been introduced against those who do not comply or fail to adhere to the restrictions against public gatherings.

In June 2020, the Government launched *Tarassud Plus*, a track-and-trace application. *Tarassud Plus* combines a mobile application with artificial intelligence in order to provide users with up-to-date statistics, guidelines and best practices to prevent the further spread of the virus. Users experiencing symptoms are able to access medical hotlines through the application so that they can be directed to the most appropriate healthcare facility. A medical tracking bracelet, synced with the application, is provided to those who test positive for the virus, which allows the application to monitor and ensure that those infected adhere to the quarantine and isolation requirements. As well as monitoring of cases at a macro level, the application uses GPS to notify other users of an outbreak near their location. The application is available in Arabic, English, Hindi, Bengali and Urdu, so as to ensure it can be used by both citizens and non-citizens residing in Oman. As at 17 June 2020, according to the World Health Organisation (the “**WHO**”), the application had been downloaded tens of thousands of times.

A Centre of Operation Management has been established by the Ministry of Health in Muscat to analyse the data produced by *Tarassud Plus* and conduct epidemiological surveillance of how and where the virus is spreading in order to help limit further spreading.

Oman's good relations with other nations has enabled ongoing supplies of medical equipment to maintain the provision of quality health care. Public testing is available for those with symptoms and health care workers, and private testing is available at private hospitals for between OMR 45 and OMR 60.

On 1 September 2020, the Minister of Health issued ministerial decision № 120/2020 to form a working group on a vaccine for COVID-19. The working group is tasked to follow up global developments in the field of manufacturing an anti-coronavirus vaccine, and to set up mechanisms to obtain the appropriate vaccine in co-ordination and follow up with the *Global Alliance for Vaccines and Immunizations (GAVI)*, the WHO and specialised companies.

A field hospital has been set up for the treatment of COVID-19, which started receiving COVID-19 patients on 6 October 2020. This hospital is expected to play a crucial role in reducing the burden on other hospitals across the governorate and accordingly, these hospitals will be able to continue to perform their everyday activities.

On 11 January 2021, the Ministry of Health announced that a second batch of 11,700 doses of the vaccine had arrived in the Sultanate. As of 15 January 2021, the Ministry of Health confirmed that approximately 24,200 people were vaccinated during the first phase of the national immunisation campaign against COVID-19, representing coverage of 85% of the target segments.

On 9 February 2021, the Supreme Committee: (i) announced that all beaches, leisure spaces and public parks in the Sultanate were closed for a period of two weeks from 11 February 2021; (ii) extended the ban on all social gatherings; and (iii) recommended that private family gatherings be avoided. It also announced that, with effect from 12 February 2021 (and until further notice), the number of visitors to government departments, private establishments, commercial centres, business outlets, marketplaces, restaurants, cafeterias, cafes serving shisha and indoor sports halls should be reduced by 50%.

On 1 March 2021, the Supreme Committee announced the closure of all business activities in the Sultanate, (including restaurants and cafes within tourist facilities and home delivery services but excluding petrol stations, private health institutions and pharmacies), from 8 pm to 5 am, effective from 4 March 2021 until the morning of 20 March 2021 and in the announcement of the Supreme Committee on 5 April 2021, this ban on commercial activity was extended. On 25 March 2021, the Supreme Committee announced the ban of movement for individuals and vehicles between 8pm until 5am, starting from 28 March 2021 until 8 April 2021 and the continuation of the closure of commercial activities in this time. A further announcement on 31 March 2021 suspended until further notice: (i) in-person attendance at schools (with the exception of grade 12 students) from 4 April 2021; and (ii) sporting activities (both outdoor and indoor) from 1 April 2021. Further restrictions during Ramadan, were announced on 5 April 2021, including a ban on all commercial activities and movement of individuals and vehicles between 9pm and 4am and group activities. The Supreme Committee announced an end to the ban on movement on 13 May 2021 (effective from 15 May 2021), but continued the ban on commercial activity between 8pm and 4am and the restriction on capacity to 50% (with some exceptions for food delivery and food stores).

On 2 June 2021, the Supreme Committee announced: (i) that mosques with a capacity of not less than 100 worshippers could re-open to perform the five daily prayers (exclusive of Friday) with immediate effect; (ii) that its previous decision prohibiting all commercial activities in all governorates from 8pm to 4am was terminated with immediate effect, with the re-opening of business outlets to be made in accordance with the previous decisions of the Supreme Committee to reduce the number of shoppers permitted to enter commercial outlets by 50%; (iii) the re-opening of exhibition and wedding halls and similar collective commercial activities (up to 30% of capacity and a maximum of 300 people) with immediate effect; (iv) that Omanis and GCC citizens resident in Oman are permitted to move across land borders between Oman and other GCC states to perform daily tasks; (v) permission for visits to beaches and public parks (with an ongoing ban on gatherings); (vi) the resumption of collective sports activities; (vii) the re-opening of sports halls (subject to 50% capacity limits); and (viii) the re-opening of swimming pools, sports halls and hotel facilities for relevant tenants and members. The Supreme Committee also extended until further notice its decision prohibiting entry to Oman by travellers arriving from Sudan, Brazil, Nigeria, Tanzania, Sierra Leone, Ethiopia, the United Kingdom, India, Pakistan, Bangladesh, Egypt and the Philippines, and added Thailand, Malaysia and Vietnam to this list with effect from 5 June 2021.

### ***Vaccination Programme***

In May 2021, the Ministry of Health announced that Grade 12 or 'General Education Diploma' students were eligible for a vaccination.

On 1 June 2021, the Ministry of Health announced the National Campaign for Immunization against COVID-19, covering all targeted groups over 12 years old and accounting for approximately 70% of the population, including students, so-far unvaccinated healthcare workers, individuals who have not received a second dose and others. The National Campaign

for Immunization aims to vaccinate 70% of the population by the end of 2021 (with 30% to be vaccinated in a first phase, by the end of August 2021, and an additional 40% to be vaccinated by the end of 2021).

Based on agreements signed with vaccination providers and suppliers, the Government expects to receive 1.25 million vaccination doses in June 2021 at a rate of 200,000 doses per week. The Ministry of Health has adopted an implementation plan for vaccination throughout June and has set out a schedule of priority for groups to be vaccinated, commencing with general diploma students and health workers in private health institutions, military and security personnel, with adults aged 45 years and above to be targeted from the third week of June 2021.

As at 15 May 2021, 214,192 people had received a first dose of a COVID-19 vaccine in Oman, of which 78,098 had been given to persons over 60 years of age.

## **Transportation**

In March 2020, the Supreme Committee announced a number of measures designed to restrict the spread of the COVID-19 virus. These included closing land borders, grounding domestic and international flights (except for cargo flights or those related to humanitarian aid or repatriation), suspending movement between governorates and imposing a curfew on all movements and commercial activities. The Royal Oman Police resumed services related to visas, civil status, passports, and traffic on 1 July 2020. Driver licences and visas for residents may be renewed online.

On 8 September 2020, the Government announced the re-opening of airports for international travel and resumption of scheduled flights from 1 October 2020. The Government has also issued various guidelines and protocols that are to be followed in this regard. On 21 December 2020, the Government announced a temporary ban on the entry and exit from the Sultanate through land, air and seaports, starting from 1 a.m. on 22 December 2020, for a period of one week, with the exception of freight planes, ships and trucks. The Supreme Committee voted to keep Oman's land borders closed until 1 February 2021. All travellers coming to Oman will be required to have a month-long health insurance covering costs of treatment or death due to COVID-19. Following the lifting of the temporary travel ban, all travellers to Oman from any country in the world are required to have a certified negative result of a PCR test for detecting COVID-19 conducted within 72 hours of arrival in the Sultanate. Travellers will also be required to undergo a PCR test for detecting COVID-19 upon arrival at an airport in Oman. All persons arriving in Oman are required to wear an electronic *Tarrasud Plus* bracelet and spend seven days in quarantine. An additional PCR test is undertaken on day 8 and if the test result is negative the electronic bracelet is removed. The Supreme Committee has also introduced a fine of OMR 1,000 for persons failing to abide by these rules. Foreign non-resident passengers to Oman will have to show their hotel booking and bear the cost of the institutional, residential quarantine. Children below 15 years old are exempt from the PCR test and *Tarrasud Plus* electronic bracelet requirements. On 24 September 2020, the Civil Aviation Authority (the "CAA") published a circular announcing that Omani citizens and residents may enter the Sultanate without prior approval, effective from 1 October 2020. Public transportation resumed on 27 September 2020.

On 9 February 2021, to combat a rise in new cases and violations of at-home quarantine measures, the Supreme Committee announced a mandatory institutional quarantine for all travellers arriving in the Sultanate through land, air and seaports, at their own expense, and advised all citizens and residents in Oman to avoid travelling abroad where possible although the Supreme Committee's announcement was subsequently clarified to note that citizens would be eligible for home quarantine. The Supreme Committee closed all land borders until further notice, with the exception of the passage of trucks, and Omani citizens abroad who wish to travel home via these land borders within a 10-day grace period, which ended on 21 February 2021. On 2 June 2021, the Supreme Committee announced that Omani citizens as well as GCC nationals residing in Oman may travel across land borders in order to perform their work duties, but would have to present proof-of-work issued by their employer.

The Supreme Committee announced on 21 April 2021 that entry to the Sultanate from the Republic of India, the Islamic Republic of Pakistan and the Republic of Bangladesh (including travellers who have been in or transited through any of these countries in the previous 14 days prior to their request to enter the Sultanate), has been suspended from 6 p.m 24 April 2021. Similar suspensions have also been imposed in respect of other countries, including Brazil and the United Kingdom.

## **Education**

On 14 March 2020, the Government announced the closure of all schools and universities in Oman from 15 March 2020 for one month. On 7 May 2020, the Government announced the end of the academic year of 2019-2020 for all public and private schools in Oman.

On 10 September 2020 the Government announced that all schools would re-open to all pupils on 1 November 2020 on the basis of a "hybrid education" plan, which will be a mixture of in-person and distance learning, in accordance with

regulations to be issued by the Ministry of Education. A Health Protocol has been also issued, and schools have been classified according to their densities. A new curriculum is being designed to fit the new mode of education and there are training programs for teachers to enhance their online teaching skills. Some international schools resumed online classes in August 2020. Universities, such as Sultan Qaboos University, also resumed a new academic year in September 2020.

On 31 March 2021 the Supreme Committee announced the suspension of in-person attendance at schools (with the exception of grade 12 students) from 4 April 2021 until further notice.

## **Financial Measures**

### ***Private Sector***

On 15 April 2020, the Government approved measures aimed at maintaining the employment of Omani nationals and supporting private sector firms, including by encouraging them to advance paid annual leave and negotiate salary cuts.

For Omani employees whose salaries are lowered, bank loans will be rescheduled without interest or additional fees for three months, fuel subsidies provided and electricity and water bills postponed until the end of June 2020. Incentives offered to affected private sector firms include postponement of electricity and water fees for three months as well as reduction in fees for renewal of expatriate workers' labour cards.

The Government and the Omani customs authority have relaxed rules around the documentation and certificates required to be produced by those importing goods into Oman. Where the importer is unable to produce the required authorisations, the relevant goods will still be cleared through customs. In addition, the current requirement to obtain a guarantee for the non-submission of original legalised documents has been waived until further notice.

In February 2021, the Supreme Committee: (i) postponed the loan premiums payable to a specific fund created to provide start-ups and small- and medium enterprises (“SMEs”) with interest-free loans (the “**Al Raffd Fund**”) for the period from 1 January 2021 to 30 June 2021; and (ii) announced that incentives will be introduced for beneficiaries of the Sanad and Livelihood Resources Programme, the details of which are expected to be announced by the end of 2021.

### ***Public Spending and Taxes***

The Ministry of Finance has introduced a number of measures to help mitigate the negative effects of the COVID-19 pandemic on Oman.

On 31 March 2020, the Government announced a series of corporate tax relief measures, including: (i) the ability to defer tax return filings by up to three months from the original due date; (ii) exemptions from all fines and penalties in respect of deferred tax return filings; (iii) tax deductions for all donations or contributions made towards the handling of the COVID-19 pandemic; (iv) exemptions for restaurants from the 4.0% tourist and municipality tax until 31 August 2020; (v) exemptions for commercial establishments from the 5.0% municipality tax until 31 August 2020; and (vi) a reduction of air freight charges. Amongst other measures, Oman has seen a cut in public spending. On 14 April 2020, the Ministry of Finance directed all government bodies and the armed forces to cut operating budgets by 5% and minimise expenditure to offset the impact of the COVID-19 lockdown. On 13 May 2020, the Ministry of Finance directed all government bodies to decrease their operating budgets by an additional 5% (total 10%) in view of the dual impact of COVID-19 coupled with the fall in oil prices.

On 8 July 2020, the Tax Authority announced certain additional tax relief measures, including postponed due dates for filing tax returns and remitting tax payments until 30 September 2020.

The Government has also introduced additional relief measures which include, *inter alia*, deferring the payment of loan instalments and premiums payable to the Oman Development Bank for a period of six months and granting three-month rent exemptions to factories in industrial cities.

The Government has been in discussions with multilateral agencies such as the Asian Infrastructure Investment Bank to help fund COVID-19 related measures. One facility has been finalised with the Islamic Development Bank for 45 million Kuwaiti Dinars.

### ***Central Bank of Oman***

On 18 March and 7 September 2020, the CBO announced, and has since implemented, a number of measures to contain the negative effects of the COVID-19 pandemic on the economy and to inject an additional liquidity of U.S.\$20.8 billion

into the Omani economy. These new policy measures aim to strengthen the ability of banks and other finance leasing companies to support the country's economic recovery.

These measures include:

- (i) lowering capital conservation buffers by 50% from 2.5% to 1.25%;
- (ii) increasing the lending/financing ratio by 5% from 87.5% to 92.5% (provided that this additional scope be reserved for lending to productive sectors of the economy, such as the healthcare sector);
- (iii) allowing banks to restructure consumer and business (particularly SME) loans, without adversely affecting the risk classification of such loans;
- (iv) deferring the risk classification of loans pertaining to government projects until 31 March 2021;
- (v) lowering the interest rates on, inter alia, repo operations, government treasury bills and foreign currency swaps;
- (vi) extending the deadline for the completion and submission of audited financial statements;
- (vii) enhancing the tenor and limit of the Forex Swap facility provided by the CBO, by increasing the maximum limit to 100% of a bank's net worth, and the tenor of the facility for a maximum period of one year;
- (viii) revising the "Loan to Value" ("LTV") ratio for housing loans in order to provide relief to first-time home buyers of residential properties;
- (ix) permitting banks to include the cost of registration and insurance in the value of the housing property for the purposes of calculating LTV ratios in respect of all housing loans; and
- (x) relaxing the "Liquidity Coverage Ratio" ("LCR") requirements for banks, allowing them to operate below the current requirement of 100% in circumstances of genuine liquidity stress on a case-by-case basis.

On 22 April 2020, the CBO issued a directive to all banks and finance leasing companies to accept all requests for deferment of loan instalments/interest/profit for affected borrowers, particularly SMEs, with immediate effect for the following six months without adversely impacting the risk classification of such loans. The CBO also directed banks and financing companies to postpone the payment of loan instalments provided by them to low-income Omani workforce for a period of three months from May 2020 until further notice.

### ***Corporate Sector***

The COVID-19 pandemic has severely impacted the functioning of the corporate sector in Oman. The Government has had to adopt various measures to enable commercial companies in Oman to adjust and adapt to the changed environment. On 16 March 2020, the Capital Markets Authority ("CMA") extended the time period for convening annual general meetings (AGMs) of public joint stock companies ("SAOCs") until 30 April 2020 rather than 30 March 2020. On 18 March 2020, the CMA suspended the holding of AGMs of SAOCs until further notice. On 20 April 2020, the CMA announced that AGMs of SAOCs and investment funds would be held electronically.

Similarly, the Ministry of Commerce, Industry and Investment Promotion ("MOCIIP") extended the timeline for holding AGMs of closed joint stock companies until June 2020. Other measures adopted by the MOCIIP include offering exemptions to commercial companies from payment of fees for renewal of Commercial Registrations from 15 April 2020 to June 2020.

On 23 June 2020, His Majesty Sultan Haitham bin Tarik, issued Royal Orders to launch the Emergency Interest-Free Loans Program to help small and medium-sized firms and other business owners that have suffered losses due to the coronavirus pandemic.

On 15 June 2020, the MOCIIP suspended registration of commercial contracts and mortgages at its headquarters on temporary basis. These services were later resumed in July 2020.

Both the CMA and MOCIIP continue to function with reduced manpower capacity (*i.e.*, 50%).

In February 2021, the Supreme Committee announced that in order to contain a rise in cases, all commercial activities in the North A'Sharqiyah governorate of the Sultanate will be kept closed between 7 p.m. and 6 a.m. starting on 12 February



2021, for a period of 14 days, with the exception of fuel stations for vehicles, health establishments and private pharmacies.

### ***Economic Stimulus Plan (COVID-19)***

In March 2021, His Majesty Sultan Haitham bin Tarik, presiding over a meeting of the Council of Ministers, announced an economic stimulus plan intended to support efforts to counter the economic effects of the COVID-19 pandemic. The economic stimulus plan offers incentives in the following five key areas:

- *Taxes and fees* – Tax and fee incentives offered include, *inter alia*: (i) a five year tax exemption for new businesses whose main activities are to operate in economic diversification sectors; (ii) an income tax exemption for hotel establishments for 2020 and 2021; (iii) instalment based tax payments without the levy of additional tax for 2021; (iv) waiver of 1% of payable tax (up to OMR 10,000) for taxes declared, filed and paid on time for the 2021 tax year; (v) further suspension of withholding tax on dividends and interest for five years from 2020; (vi) unlimited carry forward of tax losses incurred for the 2020 tax year; and (vii) an exemption from tourism and municipal taxes from tourist establishments until the end of 2021.
- *Business environment and investment climate* – Incentives offered in this area include, *inter alia*: (i) permitting businesses and investment activities to commence following obtaining a provisional licence (rather than waiting for the final approval); (ii) reduction of the commercial registration fee for companies registered in accordance with the Foreign Capital Investment Law that invest in economic diversification sectors and enabling sectors; (iii) the automatic granting of three permits for recruiting expat workers to foreign investment companies upon establishment and commercial registration; (iv) further rules to be announced regarding the granting of residency to foreign investors; (v) service agreements to be signed for every strategic investment project worth more than OMR 1 million with the Ministry of Commerce, Industry and Investment Promotion setting out rights and duties during the investment period, with the aim of creating trust among investors; and (vi) permitting companies to own land of with 5,000 m<sup>2</sup> and more, as well as real estate for operating authorised activities, subject to certain exceptions; (vii) a proposal to prepare a funding scheme by Oman Development Bank to boost exports of Omani products and services; and (viii) the restructuring of business activity-related municipality fees to facilitate relevant procedures.
- *SMEs* – Incentives offered to SMEs include, *inter alia*: (i) a reduction of the tax rate for SMEs to 12% (from 15%) for the 2020 and 2021 tax years; (ii) continuing the postponement of payment of loan instalments by SMEs to the Al Raffd Fund until the end of 2021; and (iii) subject to certain exemptions, limiting Government purchasing contracts worth less than OMR 10,000 to SMEs whose owners hold a RIYADA card.
- *Labour Market and Employment* – Labour Market and Employment incentives include, *inter alia*: (i) allocating OMR 20 million in the 2021 budget to train job-seekers; and (ii) reducing certain fees for expat workforce recruitment permits.
- *Banking Sector* – Additional banking sector incentives offered by the CBO include, *inter alia*: (i) extending the postponement of loan instalment payments by Omani employees who have lost their jobs until further notice and of those whose salaries had been reduced until the end of September 2021; (ii) urging banks to continue to address requests to postpone instalments and interest or profits of all borrowers affected by the COVID-19 pandemic for a further six months, until September 2021; (iii) to maintain credit-related incentive packages, including raising the ceiling of lending, facilitating lending to the affected and productive sectors, reducing capital buffer ratios and other measures; and (iv) the continued liaising of the CBO with banks and finance companies regarding the rescheduling of loans to match borrowers' cash flows.

### **Social Protection Initiatives**

In April 2021, His Majesty Sultan Haitham bin Tarik, in line with the priorities of Vision 2040, endorsed a set of social protection initiatives, which aim to mitigate the implications arising from the COVID-19 pandemic and alleviate the immediate effects of measures taken to enhance the efficiency of public finances. These social protection initiatives include: (i) maximising subsidies allocated for Ministry of Social Development schemes for vulnerable cases; (ii) exempting all citizens whose salaries are below OMR 350 from the repayment of housing loans provided by the Ministry of Housing and Urban Planning; (iii) exempting all citizens enrolled as beneficiaries of the Sanad and Mawareed Alriezq programmes from repaying outstanding amounts; (iv) providing for financial facilities to be provided by the Oman Development Bank to certain self-employed persons, with no fees or interest payable; (v) launching an emergency funding programme for entrepreneurs (holders of the RIYADA cards) by the Authority of Small and Medium Enterprises Development; (vi) extending job security benefits for eligible persons until the end of 2021; (vii) expanding zero VAT rated food items (from 93 items to 488 items); (viii) covering of the costs of VAT imposed on electricity and water

services for citizens who have two accounts or less for residential purposes only by the Government, including households already entitled to water and electricity subsidies; (ix) increasing volumes of subsidised fuel from 200 litres to 400 litres per month for every national subsidy card holder (and assumption by the Government for the costs of VAT on these quantities, so as to maintain fuel prices at a certain level); and (x) continuing assessment of the conditions of companies affected by the COVID-19 pandemic by the Ministry of Commerce, Industry and Investment Promotion and relevant authorities.

## DESCRIPTION OF THE TRUSTEE

### General

The Trustee is an Omani closed joint stock company incorporated on 13 August 2015 under the Commercial Companies Law of the Sultanate of Oman (Royal Decree № 4/74, as superseded by Royal Decree № 18/2019) with commercial registration number 1225873. The Trustee has been established to issue Trust Certificates and enter into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is P.O. Box 506, Postal Code 100, Muscat, Sultanate of Oman and its telephone number is +968 2474 6524.

The Trustee's authorised share capital is OMR 100,000,000 and its issued share capital is OMR 500,000 consisting of 500,000 ordinary shares of a par value of OMR 1 each, all of which have been fully paid up (the Shares). The Shares are wholly-owned by the Government.

### Business of the Trustee

Since its establishment, the Trustee has not engaged in any material activities other than those regarding or incidental to the issue of the Trust Certificates and the matters contemplated in this Base Prospectus and the Transaction Documents and the authorisation of its entry into the other transactions and documents referred to in this Base Prospectus to which it is or will be a party.

The Trustee has no prior operating history or prior business. The Trustee has no, and does not intend to have, subsidiaries, employees or executive directors. The objects for which the Trustee is established are set out in its memorandum of association and articles of association signed on 26 March 2015.

### Financial Statements

The Trustee is required by Omani law to prepare audited year-end financial statements and audited financial statements for the year ended 31 December 2020 and for the year ended 31 December 2019 (together, the "**Annual Financial Statements**"), prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The Annual Financial Statements are included herein (see "*Financial Statements of the Trustee*").

Ernst & Young LLC ("**EY**") were appointed as auditors of the Trustee for the financial year ending 31 December 2020.

### Board of Directors of Oman Sovereign Sukuk S.A.O.C.

The Trustee shall be managed by a board of directors appointed in accordance with its Articles of Association (the Board of Directors). As of the date of this Base Prospectus, the Board of Directors consists of the following members:

- His Excellency Mohammed Jawad Hassan Sulaiman (Chairman);
- Saif Kodaim Mohammed Al Manei;
- Mohammed Said Awadh Al Abri;
- Abdulaziz Mohammed Zahir Al Hinai; and
- Aseel Mohamed Redha Hassan.

### Conflicts

There are no conflicts of interest between the private interests or other duties of the Board of Directors members listed above and their duties to the Trustee. The address of each of the Board of Directors is the registered office of the Trustee.

### Accounting and Administrative Service Provider

Ernest and Young ("**EY**") is a professional services firm incorporated in Oman. EY is regulated in the Sultanate of Oman by the Ministry of Commerce and Industry and Investment Promotion which has issued EY with a licence to practice as auditors. There is no professional institute of auditors in the Sultanate of Oman and, accordingly, EY is not a member of a professional body in the Sultanate of Oman. All of EY's audit partners are members of the institutes from where they

received their professional qualification. The Annual Financial Statements were audited by EY, as stated in their audit reports included herein (see “*Financial Statements of the Trustee*”).

The registered office of EY is 3<sup>rd</sup> and 4<sup>th</sup> Floor, Ernst & Young Building, Al Qurum, P.O. Box 1750, Ruwi 112, Sultanate of Oman.

# THE SULTANATE OF OMAN

## Location

Oman is the second largest country by geographical area in the GCC region, after the KSA, with a total land surface area of 309,500 square kilometres. Oman occupies the south-eastern coast of the Arabian Peninsula where the Arabian Sea, with its outlet to the Indian Ocean, meets the Persian Gulf at the Gulf of Oman. Oman's neighbours include Yemen and fellow GCC members the KSA and the UAE.

Oman is comprised of 11 Governorates, which are subdivided into 61 provinces or *wilayats*. Muscat is the capital of Oman, as well as its largest city. Muscat is also Oman's leading port and commercial centre. Oman's other significant cities include Salalah, Sohar, Sur, Nizwa and Khasab and its offshore territories include Maşirah Island and Al-Hallaniyyah Island. Oman also has an exclave Ru'us al-Jibal, which is bordered by the UAE to the south and the Straits of Hormuz to the north, and provides Oman with direct access to the Persian Gulf.

Approximately 82% of Oman is desert or semi-desert, and average rainfall between 2014 and 2018 was 81.9 millimetres *per annum*. By contrast, the northern coast of Oman and parts of the south are capable of supporting agriculture. There are no permanent bodies of fresh water in Oman. Water for drinking, industrial and other purposes is mainly obtained from underground freshwater deposits and, in line with the Government's policy of reducing reliance on groundwater drinking water supply, increasingly, from desalination plants. See "*Risk Factors—Risk Factors in relation to the Issuer—Oman is in a water-deprived region*".

## History and Development

Archaeological evidence suggests that Oman has been inhabited for over 100,000 years. Paleolithic artifacts have been found in caves and other sites in the south and in central Oman, as well as in neighbouring countries, such as the UAE. The archaeological record indicates that civilisation began about 5,000 years ago in Oman. Arab groups began moving into present-day Oman in the second century, and Islam came to Oman in the seventh century. Oman was politically unified for the first time in the eighth century under the Ibadi imam.

Deserts prevented land links forming between Oman and cities around the region; accordingly, Oman developed a strong maritime tradition, reaching as far as India and China by the fifteenth century. The centres of life, trade and commerce thus moved to the Omani coasts from the interior during these times.

In 1507 and recognising the strategic importance of Oman as the gateway to the Persian Gulf, the Portuguese occupied Muscat and established several outposts along the Omani coast, as well as elsewhere in the Persian Gulf. In 1650, Sultan bin Saif al Yarubi re-established control over Muscat and established Oman as an independent state. However, civil war and skirmishes with the Persians led Nadir Shah to invade Oman in 1737. Persian rule lasted most of the following decade until Ahmad bin Said re-established control in 1747.

Between 1804 and 1856, under the rule of Sayyid Said bin Sultan, Ahmad bin Said's grandson, Oman's established colonies in Zanzibar and other parts of East Africa, in addition to possessions in Persia and Baluchistan (part of modern Pakistan). At that time Oman developed relations with the United States, sending a special envoy in 1840, the first Arab emissary to the United States. Oman also concurrently established relations with the United Kingdom, France, the Netherlands and other countries.

After the death of Sayyid Said bin Sultan in 1856, Oman and Zanzibar were divided between his two sons. Subsequent rulers of Oman became increasingly dependent on the financial support of the British Empire and focused on maintaining the territorial integrity of the Omani state. In the face of declining of international trade, economic and social development slowed as Oman became principally an agricultural economy. This situation remained until the late 1960s when commercial reserves of oil were discovered in Oman.

In 1970, Sultan Qaboos bin Said, the fourteenth hereditary ruler of a family that has ruled Oman continuously since the 1740s, replaced his father, Sultan Said bin Taimur, as ruler of Oman. In January 2020, His Majesty Sultan Haitham bin Tarik (previously the Minister of Heritage and National Culture) succeeded his cousin Sultan Qaboos bin Said, as ruler of Oman, following his death.

Under the leadership of Sultan Qaboos, oil production in Oman increased dramatically, and it has served as the backbone of Oman's economy, as a principal contributor to Government revenues, exports and GDP. The Government has used oil revenues to fund significant capital investment in infrastructure and social programmes, including healthcare and education. As a result of these investments, Oman has undergone a dramatic transformation in its standards of living with nominal GDP increasing from an estimated U.S.\$354 *per capita* in 1970 to U.S.\$15,082 *per capita* in 2019. In 1970,

Oman had approximately ten kilometres of paved roads, three boys' schools and a single United States missionary hospital together with approximately twelve rural clinics or dispensaries. In 2019, there were approximately 37,718 kilometres of paved roads, 1,809 Government schools for boys and girls, as well as the Sultan Qaboos University and 76 hospitals and 207 health centres.

Since the mid-1970s, the Government has implemented short- and long-term development plans to influence economic growth. Oman's current long-term development plan: "Vision 2020", which was adopted in June 1995, is focused on reducing Oman's dependence on oil and diversifying economic activity by increasing activity in non-oil sectors, for example, infrastructure, manufacturing, transportation and logistics, tourism, fisheries and mining. All subsequent short-term (five year) development plans address the implementation of the Vision 2020 strategy, including, most recently, the Ninth Five-Year Development Plan for the period 2016-2020.

The Government has also prepared "Vision 2040" to guide Oman's development from 2020 to 2040, with the goal of establishing Oman as one of the World's Developed Countries. See "*The Economy of Oman—Vision 2020, Vision 2040 and Five-Year Plans*".

In 1981, Oman, together with the KSA, the UAE, Qatar, the State of Kuwait ("**Kuwait**") and the Kingdom of Bahrain ("**Bahrain**"), established the GCC. See "*—Foreign Relations and International Organisations—GCC*".

## **Population**

A census is held in Oman every ten years, with the last census conducted in 2010. The 2020 census is now complete; as at 31 February 2021, the total population of Oman was estimated by the National Centre for Statistics and Information to be approximately 4.5 million, of which 2.8 million were Omani nationals and 1.8 million were expatriates. The majority of the population are Muslim, with small minorities of Christians, Hindus and Jews also present. Arabic is Oman's national and official language, but the use of English is widespread, especially in business transactions.

The total labour force in Oman was estimated by the National Centre for Statistics and Information to be approximately 1.9 million as of 28 February 2020, of which approximately 1.4 million workers were employed in the private sector. Of those employed in the private sector, approximately 18.1% were Omani nationals and 81.9% were expatriates.

According to figures published by the World Bank, as at 31 December 2019, approximately 22% of the population in Oman was under 15 years old and 2% was 65 years and older. At the end of 2018, life expectancy at birth was 78 years. By comparison, the World Bank reports that approximately 18% of the population of OECD nations was under 15 years old and approximately 17% was 65 years and older at the end of 2019.

Oman had a Human Development Index of 0.813 according to the 2020 Human Development Report issued by the United Nations Development Programme, ranking 60 out of 189 countries, in the "Very High Human Development" category. Oman is classified by the World Bank as a high-income country, with a real GDP *per capita* on a purchasing power parity ("**PPP**") basis of U.S.\$27,299 in 2019 and GDP *per capita* on a nominal basis of U.S.\$15,343.1.

## **Government Organisation and Political Background**

### ***Overview***

Oman is an absolute monarchy. His Majesty Sultan Haitham bin Tarik is the Head of the Government and the Chief of State. The Sultan has the power to issue laws by Royal Decree. All Royal Decrees, international treaties, agreements and charters signed or approved by His Majesty become law from the date of their publication in Oman's Official Gazette.

On 6 November 1996, His Majesty Sultan Qaboos issued Royal Decree № 101/96 promulgating the Basic Statute of the State. The Basic Statute serves as the constitution of Oman and sets forth its system of governance, as well as establishing certain basic rights of Omani citizens. In addition, the Basic Statute provides that all natural resources are the property of the State and that any concessions granted to exploit or otherwise invest in such natural resources may only be granted for a specified period. The Basic Statute also provides for a Prime Minister, although this position and the positions of Minister of Defence and Chief of the Armed Forces are currently held by His Majesty Sultan Haitham bin Tarik. His Majesty Sultan Haitham bin Tarik also initially held the positions of Ministers of Finance and Foreign Affairs, as well as Chairman of the Board of Governors of the Central Bank, however these powers have been devolved by virtue of the Royal Decrees № 111/2020 and № 112/2020 on 18 August 2020.

## ***Recent Developments***

On 11 January 2021, marking the first anniversary of His Majesty Sultan Haitham bin Tarik Al Said's ascension to the throne, it was announced that the Sultan issued two Royal Decrees, Royal Decree № 6/2021 (issuing the Basic Law of the State) and Royal Decree № 7/2021 (promulgating the Oman Council Law), in accordance with Vision 2040. See "*The Economy of Oman—Vision 2020, Vision 2040 and Five-Year Plans*". Royal Decree № 6/2021 shall take effect from the day of its issuance, being 11 January 2021, once it has been published in the Official Gazette. Royal Decree № 7/2021 shall take effect from the day following its publication in the Official Gazette. Royal Decree № 6/2021 was published in the Official Gazette on 12 January 2021. Royal Decree № 7/2021 was published in the Official Gazette on 17 January 2021.

### ***Basic Statute***

Royal Decree № 6/2021 sets out a new Basic Law to replace the Basic Statute promulgated by Royal Decree № 101/1996, as amended. This Royal Decree was issued to: (i) promote citizens' rights and duties and public freedoms; (ii) support a better future marked by national and citizens' achievements; (iii) support state institutions and consolidate the principles of consultation; (iv) preserve the homeland, its unity and its social fabric; and (v) consolidate Oman's international standing and its role in laying the foundations of justice and the foundations of truth, security, stability and peace between different countries and peoples.

In this context, the new Basic Law re-asserts the State's role in upholding the rights and freedoms of citizens with respect to, *inter alia*, gender equality, the right to childcare, rights for the disabled, rights to life, human dignity, safety and the sanctity of private life and rights to education (including compulsory primary education and the encouragement of the establishment of universities). In addition, provisions to protect national heritage and combat trafficking in materials and objects important to Oman's national heritage have also been included.

In addition, adherence to the rule of law and the independence of the judiciary have been asserted as bases for the governance of Oman.

The new Basic Law includes the establishment of a performance monitoring committee, which reports directly to the Sultan for the purpose of assessing and monitoring the performance of ministers and other senior public officials. Furthermore, provision has been made for enhancing the powers of the State Audit Institution of the Government. Certain enhancements to local administration powers and the Council of Oman (including, *inter alia*: (i) approving or amending laws referred to it by the Government; (ii) proposing draft laws; and (iii) discussing development plans and the Budget) are also included.

Finally, a clear mechanism for hereditary succession to the throne has been established under the Basic Law, as has a mechanism to appoint a Crown Prince, which also sets out his duties and responsibilities.

### ***Council of Oman***

Royal Decree № 7/2021 has implemented a new law to replace Royal Decrees № 86/97 (regarding the Council of Oman), № 87/97 (promulgating the internal regulations of the State Council) and № 88/97 (promulgating the internal regulations of the Consultative (A' Shura) Council). The new law sets out the competencies of the Council of Oman, its membership requirements and the rights and obligations of the members, as well as to establish new regulations for both chambers.

### ***Organisational Structure of the Government***

The creation of a modern state with established institutions has been one of the cornerstones of the country's development efforts over the past 48 years. The Basic Statute sets out the principles on which the State and the system of government are founded. The State's organisational structure comprises of His Majesty Sultan Haitham bin Tarik and a series of specialised councils, institutions and authorities.

The process of policy formulation and decision making has evolved since His Majesty Sultan Qaboos came into power in 1970, and the Government continues to implement His Majesty Sultan Qaboos' vision of democratic action, in which Oman citizens play a role in national decisions.

In August 2020, His Majesty Sultan Haitham bin Tarik issued a series of 28 Royal Decrees, delegating various powers for the first time. In a move towards a more institutional model of government, His Majesty has devolved the roles of foreign minister, finance minister, and chairman of the Central Bank, appointing other officials to these positions. His Majesty has also consolidated the government, reducing 26 ministries to 19. Amongst these changes, and pursuant to a series of Royal Decrees, several ministerial councils and authorities including the Supreme Council for Planning, Ithraa

(Public Authority for Investment Promotion and Exports), the Public Authority for Mining and the Financial Affairs and Energy Resources Council were abolished.

### *The Council of Ministers*

The Council of Ministers assists His Majesty Sultan Haitham bin Tarik in designing and implementing general state policies and is the authority responsible for ensuring that these policies are implemented. The Council of Ministers submits recommendations to His Majesty Sultan Haitham bin Tarik on economic, political, social, executive and administrative matters of concern to the Government, including proposals for draft laws and decrees and methods of protecting the welfare and interests of citizens. The Council of Ministers also sets out the general goals and policies for economic, social and administrative development and proposes methods and procedures for their implementation. Development plans prepared by the relevant authorities are also discussed by the Council of Ministers before being submitted to His Majesty Sultan Haitham bin Tarik for his approval. Additionally, the Council of Ministers follows up implementation of approved proposals through to completion, by monitoring the progress and performance of the Government's administrative apparatus. The Council of Ministers also undertakes any other responsibilities entrusted to it by His Majesty Sultan Haitham bin Tarik or assigned to it under the provisions of the Basic Statute. In August 2020, His Majesty Sultan Haitham bin Tarik appointed his first Council of Ministers.

### *The Defence Council, National Security Council and Military Promotions and Appointments*

On 25 January 2021, His Majesty Sultan Haitham bin Tarik issued three Royal Decrees regulating and restructuring the Defence Council and the National Security Council, and regulating Military Promotions and Appointments processes, as follows:

- *Royal Decree № 12/2021*: regulates and restructures the Defence Council, placing it under the chairmanship of His Majesty Sultan Haitham bin Tarik as Supreme Commander and appointing certain members, including the Deputy Prime Minister for Defence Affairs and Inspector-General of Police and Customs;
- *Royal Decree № 13/2021*: regulates and restructures the National Security Council, placing it under the chairmanship of His Majesty Sultan Haitham bin Tarik as Supreme Commander and appointing certain members, including the Minister of Royal Office, Head of Office of the Supreme Commander; and
- *Royal Decree № 14/2021*: on Military Promotions and Appointments, appointing and promoting certain key figures in the process, including promoting Brigadier Nasser Saleh Saud al Maawali to the rank of Major General and appointing him as Secretary General of the National Security Council in the Royal Office.

### *Legislative Powers*

The decision-making process in Oman is institutionalised and multi-pronged, with both the Council of Ministers and the Council of Oman actively involved in policymaking and policy implementation.

The Council of Oman was established in 1997 by Royal Decree № 86/1997 to advance the institutional development of the political system. The Council of Oman is a bicameral legislature comprised of the Majlis Al Dawla (*i.e.*, the State Council, which includes 83 members who are appointed by the Sultan for four-year terms with the possibility of renewal) and the Majlis Al Shura (*i.e.*, the Consultative Council, which includes 85 members representing the *wilayats* who are democratically elected every four years).

The Consultative Council has the power to review policy, including approving, rejecting, and amending legislation and summoning ministers of agencies that provide direct services to citizens. Elections to the Consultative Council have been held since 1994, with universal suffrage for citizens of 21 years of age or older implemented in 2003. In the 2019 Consultative Council elections, the number of registered voters increased to 713,335, as compared to 520,000 in the 2011 elections. The next elections are scheduled to be held in October 2023. There are no political parties in Oman.

The Basic Statute sets out the process by which draft laws are presented and discussed and then directly submitted to His Majesty Sultan Haitham bin Tarik to be declared by Royal Decree. The process involves draft laws being prepared by the relevant government ministries and then referred to the Council of Oman. Draft laws are first submitted to the Consultative Council, which reviews the draft law and approves or amends it within a maximum period of three months from the date of referral. The draft law is then referred to the State Council, which then approves or amends the law within a maximum period of forty-five days from the date of referral. If the two Councils disagree upon a draft law, they are required to hold a joint meeting under the chairmanship of the Chairman of the State Council to discuss the differences between the two councils, and then vote on the draft law in the same meeting. The annual budget law is prepared pursuant to a different procedure. See “*Public Finance—General*”.



Council of Oman decisions are approved and adopted by an absolute majority of the members present, except in circumstances that require a special majority, and in all cases the Chairman of the State Council submits draft laws to His Majesty Sultan Haitham bin Tarik along with the opinion of the two Councils. In case of any amendments to a draft law made by His Majesty Sultan Haitham bin Tarik, he may refer the draft law back to the Council of Oman for reconsideration of the amendments before being resubmitted to His Majesty Sultan Haitham bin Tarik for final approval.

In 2011, Royal Decree № 99/2011, which amended the Basic Statute promulgated by Royal Decree № 101/96 (now replaced by the new Basic Law promulgated by Royal Decree № 6/2021), expanded the powers of the Council of Oman, giving the Council the authority to also propose draft laws and suggest changes in Government regulations, which are referred to the relevant ministries to review.

The Council of Oman has exercised its powers to propose policies and suggest changes in Government regulation on numerous occasions. For example, in February 2018, the Consultative Council passed a number of articles of the Commercial Companies Law referred by the Council of Ministers. Members of the Consultative Council made several observations on, and proposals to, the draft articles that were discussed and later passed on to the State Council to approve. Furthermore, in April 2016, the Consultative Council submitted a proposal to revise visa renewal fees, in an effort to increase Government revenues, which was implemented by the Ministry of Labour in November 2016.

#### *Progress Towards Institutional and Inclusive Policymaking Framework*

Creating the institutions of a modern state in Oman is an ongoing process. In order to evolve Oman's policymaking framework and in an effort to foster cooperation between the two institutions, in May 2018 representatives of the Council of Ministers and Council of Oman held a joint meeting. The meeting highlighted the importance of dialogue and the need to agree on views that help implement development plans and programmes. Additionally, both councils exchanged views on issues pertaining to the implementation of plans and programmes of all ministries. Both councils continue to work closely to ensure the timely approval and implementation of plans and programmes.

#### *Regional Authority*

Regional authority in Oman is divided among 11 Governorates, or *muhafazah*, each of which is administered by a Governor appointed by His Majesty. Below the *muhafazah*, there are 61 *wilayats* administered by a combination of governors or *walis* supervised by the Ministry of Interior.

#### *Judiciary and Political Rights*

For commercial matters, three court levels exist in Oman: the lowest court is the Primary Court, followed by the Court of Appeal, and then the Supreme Court.

Specialist courts include the Administrative Court, which has jurisdiction over cases contesting decisions of the Government, the *Sharia* Court, which has jurisdiction over all civil and family cases, and the Magistrate Court, which has jurisdiction over criminal cases.

The judiciary in Oman is guaranteed independence pursuant to the Basic Statute, though it ranks subordinate to the powers granted to His Majesty Sultan Haitham bin Tarik. The Basic Statute also states that Islam is the state religion of Oman and that Islamic *Sharia* law is the basis of legislation in Oman.

The Basic Statute acknowledges rights to free speech, free press and assembly, subject to certain limitations. In addition to the domestic media in Oman, which is entirely Government-owned, certain foreign press is available in Oman, subject to compliance with content restrictions imposed by the Government.

In April 2021, His Majesty issued Royal Decree № 40/2021, pursuant to which the Oman Human Rights Commission was established. Members include Government officials, representatives of workers and public associations and a lawyer.

#### *Succession*

On 11 January 2021, Sultan Haitham bin Tariq al-Said issued a new Basic Law setting out a clear mechanism for hereditary succession to the throne, the appointment of a Crown Prince, and setting out his duties and responsibilities. Under the previous succession regime, should His Majesty Sultan Haitham bin Tarik not have designated a successor nor indicated who the potential successor might be, should the throne fall vacant, a council composed of members of the royal family (the "**Ruling Family Council**") would have been convened to determine the successor to the throne from the male descendants of Sayyid Turki bin Said within three days. If the Ruling Family Council did not agree on the choice of the successor, a council consisting of the Defence Council, the Chairman of State Council, the Chairman of the Consultative

Council and the Chairman of the Supreme Court of Oman, along with two of his most senior deputies, would have confirmed the appointment of the person designated by His Majesty by sealed letter to the Ruling Family Council.

See “—*Recent Developments*”.

## **Foreign relations and international organisations**

Oman pursues an independent foreign policy with the aim of fostering good relations with its neighbours, as well as other countries, in particular, the United States, the European Union, the United Kingdom and other member countries of the OECD. Historically, Oman has acted independently from the other Arab Gulf States in regional disputes and, on occasion, has acted as a neutral mediator. For example, Oman played a key role from 2009 to 2011 in securing the release of U.S. citizens who had been detained by Iranian border guards by brokering negotiations with U.S. and Iranian officials and paying the detainee’s bail. Oman’s approach to foreign relations is both non-confrontational and pragmatic. As a result, Oman has enjoyed political and economic stability for the last 40 years. His Majesty Sultan Haitham aims to continue the late Sultan Qaboos’ approach to foreign policy.

### ***International Organisations***

Oman is a member of the United Nations, the World Bank, the International Bank for Reconstruction and Development and the IMF. In November 2000, Oman became a full member of the World Trade Organization, resulting in, amongst other developments, the liberalisation of its foreign investment and taxation laws. In October 2015, Oman became a founding member of the Asian Infrastructure Investment Bank, an international financial institution composed of 50 member states that aims to support the building of infrastructure in the Asia-Pacific region. Oman joined the Arab League in 1971 and the Organization of the Islamic Conference in 1972. Oman is also an active member of Islamic Development Bank.

### ***GCC***

The GCC was established in the Emirate of Abu Dhabi (“**Abu Dhabi**”) in the UAE on 25 May 1981. The original union comprised of Bahrain, Kuwait, Oman, Qatar, the KSA and the UAE. The unified economic agreement among the countries of the GCC was signed on 11 November 1981 in Abu Dhabi.

Oman has been a member of the GCC’s Permanent Committee for Petroleum Cooperation, which has prepared the long-term petroleum strategy for the GCC, since May 1981.

In June 2017, three GCC countries, the KSA, the UAE and Bahrain, as well as Chad, Comoros, Egypt, Maldives, Mauritania, Senegal and Yemen, severed diplomatic ties and cut trade and transport links with, and imposed sanctions on, Qatar. In addition, Djibouti, Jordan and Niger downgraded diplomatic ties with Qatar. These countries have accused Qatar of supporting extremist groups. Oman has remained neutral during the diplomatic dispute and diplomatic efforts to end the dispute are being undertaken by Oman, Kuwait and several other countries. The KSA recently announced that it will reopen its airspace and sea and land border with Qatar, in the first step toward ending the years-long blockade. On 5 January 2021, the KSA, the UAE, Bahrain and Egypt reached an agreement with Qatar to resolve the dispute between the countries.

Oman benefits from a U.S.\$10 billion GCC Development Fund established in 2011 with contributions made by non-donor GCC member states. The GCC Development Fund includes investments in key infrastructure projects across the manufacturing, energy, healthcare and education sectors and is intended to stimulate economic growth and is expected to be used in furtherance of development goals. Of the U.S.\$10 billion, as of 30 April 2021, U.S.\$3.1 billion was allocated to projects and actually paid from the GCC Development Fund. The Kuwait portion of the GCC Development Fund is being used to finance the Batinah Expressway, which links Muscat to the Sohar Port and industrial area and to the UAE border. The KSA portion of the GCC Development Fund is expected to be used to finance a road connecting Duqm to Ras Markaz, as well as the second phase of Duqm fishing port.

### ***Organization of the Petroleum Exporting Countries***

While Oman is not a member of the Organization of the Petroleum Exporting Countries (“**OPEC**”), Oman co-ordinates with OPEC regarding oil production and is a member of the OPEC+ alliance. Following the substantial drop in global oil prices in March 2020 (by approximately U.S.\$11.00 per barrel), as a result of the KSA’s decision to cut export oil prices, as well as Russia and OPEC’s failure to reach an agreement over proposed oil production cuts, in April 2020, the 23 members of the OPEC+ alliance agreed to reduce production by 9.7 million bbl/d in each of May and June 2020, followed by a 7.7 million bbl/d reduction in the second half of 2020 and a 5.8 million bbl/d reduction from January 2021

to the end of April 2022. The agreement is intended to counteract plummeting demand caused by the COVID-19 pandemic.

### *Other Countries*

Oman has Free Trade Agreements with Australia, EFTA (comprised of Iceland, Liechtenstein, Norway and Switzerland), Japan, PAFTA (comprised of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Qatar, the KSA, Sudan, Syria, Tunisia, the UAE and Yemen), Singapore and the United States. Oman has duty-free access with the 17 Arab states party to the Greater Arab Free Trade Agreement.

### *Iran*

Oman maintains good relations with Iran and has attempted to mediate between Iran and other countries in the region and internationally. For example, in November 2014, Oman hosted nuclear talks between Iran and the United States in Muscat, which helped provide a foundation for subsequent negotiations.

### *United States*

Oman and the United States entered into a free trade agreement in 2006 that came into force in 2009. In addition, there have been ongoing efforts to expand cooperation on a range of military and environmental matters: in 1980, Oman and the United States signed a military cooperation agreement, which was revised and renewed in 2010. In 2006, the United States and Oman signed a Memorandum of Understanding on Environmental Cooperation, aimed at protecting the environment while promoting sustainable development.

In 2016, the United States and Oman signed a Science and Technology Cooperation Agreement, which is expected to provide a platform for increased cooperation in these areas.

### *European Union*

Oman enjoys good relations with the European Union (the “EU”) on a bilateral basis through its ambassador to the European Union, as well as collectively in the context of GCC-EU relations through the GCC ambassador in Brussels. The EU established bilateral relations with GCC countries through the 1988 Cooperation Agreement. The 1988 Cooperation Agreement allowed for the development of closer cooperation on issues such as energy, transport, research and innovation, and the economy.

The 1988 Cooperation Agreement also provides for annual joint councils/ministerial meetings (between EU and GCC foreign ministers) and for joint cooperation committees at senior official level. The most recent EU-GCC ministerial meeting was held in Brussels on 18 July 2016.

The GCC has been in discussions with the EU concerning a trade agreement between the GCC and the EU. Negotiations were suspended in 2009 to enable the GCC to complete a study on the cost benefit of such agreements, and this study is still being considered. Further informal contacts have taken place between the parties, and both remain committed to concluding the agreement.

The EU’s Industrial Countries Instrument (“ICI”) fund for cooperation with high-income countries is the framework for financial cooperation between the EU and the Gulf region (and other high-income countries). Amongst other projects, the ICI has financed the EU-GCC Clean Energy Network for cooperation among various players in the EU and the GCC on clean energy.

According to the Commission estimates, in 2018, bilateral trade with the EU accounted for 14.6% of the GCC’s total trade, making the EU the single largest trading partner of the GCC, as a whole.

Oman also maintains strong bilateral relations with the European Union member states.

### *United Kingdom*

Oman is a longstanding British ally in the Gulf with shared interests across diplomatic, economic and security matters. In March 2019, Oman and the UK signed the Joint Declaration on Enduring Friendship with the intention of strengthening and deepening their relationship. In May 2019, Oman and the UK signed the Comprehensive Agreement on Enduring Friendship, which is aimed at a shared commitment to working together in a number of sectors including science, health, technology and innovation.

## *Asia*

Oman has also developed significant trade relations with multiple countries in Asia over the past several decades. China is Oman's leading destination for its oil exports, with Japan, South Korea and India also receiving a significant share of Omani oil exports.

### **National Security**

Oman's participation in the GCC and its close relations with the United Kingdom and the United States underpin its security, and the United States and the United Kingdom have each occasionally maintained a small military presence in Oman with the permission of the Government.

The United Kingdom retains a close connection with Oman's armed forces, particularly its air force, which is largely equipped with United Kingdom-made aircraft and employs British contract officers. In February 2019, Oman and the United Kingdom signed a joint defence agreement aimed at deepening defence cooperation and ensuring the United Kingdom's access to certain defence facilities in Oman. The United Kingdom provides training to Omani troops on a range of core skills such as crisis management, instructing medical teams in combat response and teaching engineers how to use vital equipment.

In addition, Oman has had an agreement with the United States since 1980 that allows the United States' military forces to have access to bases in Oman. In March 2019, Oman and the United States signed a defence agreement allowing the United States military access to ports and airports in Oman. Oman also receives training assistance from the United States (U.S.\$1.9 million and U.S.\$1.8 million in International Military Education and Training assistance, in 2018 and 2019, respectively). American assistance contributes to efforts to: counter piracy, narcotics and wildlife smuggling; enhance law enforcement and investigations techniques; strengthen Oman's capability to monitor and control its borders; build counterterrorism capacity; and improve interoperability of Omani forces with U.S. forces.

The armed forces participate in regular joint military exercises with the armed forces of other GCC countries. Defence and national security (which includes police forces and other dual civil/military expenditures) were budgeted to receive OMR 3,450.0 million in the 2019 budget, which amounts to approximately 27.0% of total Government consolidated budgeted expenditures. In the nine months ended 30 September 2020 defence and national security spending, which includes both operating expenditure and capital expenditure and spending for military hospitals, police hospitals and dual civil/military hospitals, accounted for OMR 1,985.5 million, approximately 57.6% of the budgeted amount for 2019. Defence and national security are budgeted to receive OMR 2,965.0 million in the 2021 budget, which amounts to approximately 27.3% of total Government consolidated budgeted expenditures.

### **Education and Health Policies**

Since the early 1970s, a major objective of His Majesty has been to provide education in Arabic and English for all students in Oman. Education is provided free of charge up to the end of secondary education.

In 1970, there were three formal schools with 900 students in the entire country. Oman's national educational programme has since expanded rapidly and in 2019, approximately 636,674 students attended 1,163 Government schools for boys and girls and the number of students in private schools was 126,003. There are also extensive programmes to combat adult illiteracy and as of 2019, 97.5% of males and 88.5% of females were estimated to be literate. Sultan Qaboos University was founded in 1986, and in 2019 it had approximately 17,473 registered and enrolled students.

Access to healthcare is another main objective of His Majesty. In 1970, Oman had a single U.S. missionary hospital, together with approximately 12 rural clinics or dispensaries. In 2019, there were approximately 83 hospitals and 189 health centres. From 2002 to 2019, the number of medical doctors in Oman increased by 173.6% from 3,536 to 9,674.

The Ministry of Health is responsible for ensuring the availability of healthcare in Oman. It develops policies and plans and implements these in coordination with all of the health sector's constituents. The public sector runs the vast majority of hospitals and hospital beds and employs most doctors and nurses. The Ministry of Health is also the principal provider of preventive and rehabilitative services. Life expectancy at birth in Oman had increased from approximately 50 years in 1970 to 78 at the end of 2018.

### **Legal Proceedings**

Oman is from time-to-time a party to arbitration and other proceedings. The Government does not believe that, if any such proceedings were finally determined adversely to the Sultanate, it would have a material adverse impact on the Government's finances.

# THE ECONOMY OF OMAN

## General

When His Majesty Sultan Qaboos bin Said al Said acceded to the throne in 1970, he began a series of processes that transformed Oman from an undeveloped state into a modern nation, which is now classified by the World Bank as a high-income country. According to the World Bank, Oman's real GDP *per capita* on a PPP basis was U.S.\$27,299 in 2019, and GDP *per capita* on a nominal basis was U.S.\$15,343.1 in 2019.

The principal activity of the Omani economy is the production and export of crude oil and natural gas, contributing 31.1%, 34.4% and 35.9% of nominal GDP in the years ended 31 December 2020, 2019 and 2018, respectively. Accordingly, the performance of the oil and gas industry directly affects industries that are tangential to, or reliant upon, it. The oil and gas industry also has a number of indirect effects on the economy as a whole, and, in low energy price environments in particular, can lead to reductions in consumer purchasing power and mobility. Oil and gas activities are the principal source of Government revenues (accounting for approximately 75.5% of total Government revenues in 2019) and, therefore, further indirectly affect the performance of the non-oil sectors of the economy through the effect on Government expenditure. As a result, fluctuations in the production and price of oil are the major factors affecting Oman's economic performance. The economy's vulnerability to oil price movements and the finite nature of oil reserves have led the Government to exploit significant gas reserves, to promote investment in the non-oil and gas sectors of the economy and to implement policies and procedures to manage and replenish its financial reserves.

Oman's economic development is coordinated through a series of five-year development plans within the framework set out by longer-term plans. See "*—Vision 2020, Vision 2040 and Five-Year Plans*". Each five-year development plan sets forth the parameters within which annual national budgets are determined (including the permitted level of budget deficits and level of withdrawals from the general reserves to meet such deficits). Withdrawals from reserves exceeding budgeted amounts must be specifically authorised by Royal Decree. A principal goal of the five-year development plans is the diversification of Oman's economy, focusing on the following five key sectors in the medium term:

- **Manufacturing:** A large portfolio of manufacturing-related projects and initiatives have been identified by *Tanfედh* (The National Programme for Enhancing Economic Diversification) as central to accelerating the growth of the non-oil sector, while supporting job creation. Examples of such projects include the Duqm refinery, the Salalah Methanol Company's ammonia plant, greenfield steel projects and a number of cement plants. Another key ongoing project is the Liwa Plastic Industries Complex, expected to commence operations in 2021, which is expected to enable Oman to produce polyethylene, polypropylene, mogas and benzene, create 13,000 jobs, and drive GDP growth. The manufacturing sector's contribution to nominal GDP has decreased by 33.6% to OMR 2.0 billion for the year ended 31 December 2020, as compared to OMR 3.1 billion for the year ended 31 December 2019.
- **Transportation and Logistics:** Oman currently offers three world-class deep ports, five state-of-the-art airports and a world-class road network. The Government has made it a goal to place Oman within the top 30 countries out of 160 in the World Bank Logistic Performance Index 2020 edition (Oman was ranked 46<sup>th</sup> in the 2018 Index). Furthermore, Oman's Logistics Strategy 2040 aims to improve efficiency and reduce costs in handling shipments. In 2018, Oman opened new airports at Muscat and Duqm and upgraded the Salalah airport. The transportation and logistics sector's contribution to nominal GDP has decreased by 21.1% to OMR 1.4 billion for the year ended 31 December 2020, as compared to OMR 1.7 billion for the year ended 31 December 2019.
- **Tourism/Hotels and Restaurants:** As part of its strategy to diversify the economy away from a heavy reliance on oil and gas revenues, the Oman Government identified the tourism sector as one of the key drivers of future growth for the Sultanate. In 2005, the Government established the Oman Tourism Development Company ("**Omran**") as the executive arm of the Sultanate responsible for delivering the objectives contained in the 2040 National Tourism Strategy. Omran works closely with the Ministry of Heritage and Tourism and other Government entities to identify priorities, projects and opportunities that will maximise the potential of Oman's tourism sector. Omran currently has several major development projects underway, including Madinat Al Irfan (a joint development with Majid Al Futtaim), the Ras Al Hadd development project (a joint development with Qatari Diar) and the redevelopment of the Mina Sultan Qaboos waterfront. The Government has also undertaken a policy to work in coordination with Qatar. The Qatar Tourism Authority and the Omani Ministry of Heritage and Tourism have signed an agreement to mutually support and develop tourism, engage private sector partners and to facilitate and coordinate a number of practices and events to jointly support leisure and business tourism. The tourism sector saw a decrease in hotel revenues from OMR 308 million for the year ended 31 December 2019 to OMR 85 million for the year ended 31 December 2020. Under the 2040 National Tourism Strategy, the Government will encourage investments of up to OMR 20 billion (approximately U.S.\$51 billion) over the long term by both private and public sector partners. The 2040 tourism strategy estimates that a further 80,000 hotel rooms will be available by 2040,

in addition to the 3.2 million three- to five-star hotel rooms that were available as of 31 December 2019. Furthermore, the 2040 National Tourism Strategy aims to increase the tourism sector's contribution to GDP to 4.8% by 2030 and 5.9% by 2040. The tourism sector's share of nominal GDP increased to 1.1% for the year ended 31 December 2019 from 0.9% for the year ended 31 December 2018.

- **Fisheries:** The fisheries sector initiatives identified by *Tanfeedh* are divided into three categories: “Catch (traditional and commercial)”, “Aquaculture” and “Processing Products and Growing Exports”. Oman has significant economic potential in this sector due to its long coastline, multiple sites for commercial aquaculture projects and the availability of supporting infrastructure, such as ports, roads and its logistics network. Global demand is estimated to increase to 40 million additional tons of fish products by 2025, and, supported by the biodiversity in the Sultanate's waters, the Government has increasingly targeted the sector for development. In 2018, there was a higher increase in growth than planned in the total fisheries volume and the value of production, contribution to the GDP and other key performance indicators. The Government has targeted increasing production from approximately 200,000 tonnes per year in 2015 to approximately 480,000 tonnes per year by the end of 2020, while creating an additional 20,000 jobs. In 2019, production was 579,184 tonnes. The agriculture and fishing sector's contribution to nominal GDP increased by 8.8% to OMR 751.7 million for the year ended 31 December 2020, as compared to OMR 690.6 million for the year ended 31 December 2019.
- **Mining:** Oman is the second largest country in the GCC and has significant mineral deposits. The recent discovery of reserves of minerals including gold, copper and rare earth minerals is expected to boost the growth of the mining sector and the Ninth Five-Year Plan targets an annual average growth of 6.5% from 2016 to 2020 in the mining sector. Oman resumed copper mining in 2018 when the Government granted its first copper mining licence since 2004. Oman's total exploitable commercial resources are estimated by the Public Authority for Mining at approximately 54.5 million tons, and copper mining is planned in the Yanqul, Khaboura and Shinas concessions. The Public Authority for Mining in Oman Mining Expo projects that these concessions hold more than 25 million tons of copper. As part of its *Tanfeedh* programme, the Government has initiated a variety of projects, including construction of a new copper smelter and refinery as well as of a magnesium plant and the development of salt and limestone mines. The new initiatives and projects are expected to contribute to the mining sector's development by raising the sector's contribution to GDP to OMR 378 million and provide up to 1,660 direct jobs by the year 2023. Oman's mineral production is expected to increase from 100 million tons in 2016 to 147 million tons by 2023. Oman's newly enacted mining law came into effect on 14 March 2019 and focuses on making Oman's mining environment more attractive to investors and to develop the industry in Oman. The Mining Law and Implementing Regulations provide for several different types of licences, which are split between exploration and prospecting licences and longer-term extraction concessions. The Public Authority for Mining is currently preparing the procedures and regulations for the tendering and award of mining concessions, as well as guidelines designed to encourage investment in downstream and value-added processing industries. The mining and quarrying sector's contribution to nominal GDP increased by 3.2% to OMR 129.5 million in 2020, as compared to OMR 142.5 million in 2019.

In response to low oil prices, the Government has pursued four strategic pillars to provide a solid framework for future economic growth and address the changing needs of the Omani economy.

- **Debt Management Office:** In 2017, the Government established a debt management office to optimise funding costs for the Sultanate by: (i) diversifying funding sources; (ii) creating a central focal point to liaise with rating agencies and internal budgeting requirements; and (iii) strategically timing issuances of debt securities to benefit from opportune market conditions. See “*Public Debt*”.
- **Reducing Expenditures:** The Government has sought to reduce its expenditures by: (i) nearly freezing new Government hiring and promotions from 2017 (other than replacing workers who retire (such as, doctors and teachers) and continued hiring in defence); (ii) limiting civil servant compensation increases and streamlining allowances; (iii) eliminating certain fuel subsidies and increasing electricity tariffs for large customers from 2017; (iv) implementing fees for new water connections in certain circumstances; (v) deferring non-essential public projects, with capital expenditures having been limited to projects that will contribute to the growth of the economy and on-going projects that are 70% or more completed or are otherwise expected to be completed in this year; (vi) reducing certain operating expenditures and the defence budget; (vii) issuing instructions to all spending units in key ministries to reduce non-essential current expenditure and to increase efficiency; (viii) outsourcing Government services to the private sector where possible; (ix) establishing a code of governance for state-owned enterprises; (x) implementing lean techniques in different Government entities that reduce inefficient practices and increase overall efficiency; (xi) assessing and evaluating projects for potential Public Private Partnerships (“PPP”); and (xii) setting up a tax evasion department to improve tax collection. This spending restraint has led to current expenditure decreasing between 2014 and 2019 by OMR 725 million.

- **Promoting the Private Sector:** The Government has aimed to promote the private sector to drive Oman’s economic growth, including through: (i) a series of measures undertaken to encourage the development of SMEs; (ii) creating the Public Authority for SME Development (“**PASMED**”) to provide logistical, technical and other support for SMEs; (iii) creating the Invest Easy initiative in order to streamline the licensing and business registration process; (iv) launching an independent credit and financial information bureau called the Oman Credit Bureau to reduce information asymmetries and enable better access to financing for SMEs; (v) establishing a governing body to implement the anti-monopoly and competition law as part of Government efforts to encourage and protect competition in the market; (vi) issuing a new bankruptcy law; and (vii) issuing of a new FDI law which aims to regulate and encourage foreign investment, protect investor rights, allow for 100% foreign ownership and eliminate minimum capital requirements. See “*Public Finance—Legal Reforms and Innovations*”. Through these measures the Government aims to stimulate economic growth, increase tax and fees revenues, increase exports, support employment creation and diversify the economy.
- **Introducing Taxation:** The Government has increased its revenue base by: (i) increasing the corporate tax, beginning in 2017, from 12% to 15% and eliminating tax-free thresholds; (ii) introducing selective service taxes in 2017; (iii) increasing certain administrative fees, including a property transfer fee beginning in 2016; and (iv) introducing an excise tax in June 2019. In line with other GCC member states, the Government expects to further increase its revenue base through the introduction of a value added tax (“**VAT**”), which came into force on 16 April 2021.

### ***Oman Investment Authority (OIA)***

On 4 June 2020, the Oman Investment Authority was established pursuant to Royal Decree № 61/2020. Under this decree, all competences, allocations, rights, obligations, records, holdings, assets and investments related to the SGRF, the OIF and the Directorate General of Investments in the Ministry of Finance have been transferred to OIA. In addition, the Government’s ownership in all state-owned enterprises has also been transferred to OIA with the exception of PDO. The merging of these entities eliminates duplication of functions, creates economies of scale, and helps realise operational efficiencies and improved governance. OIA is actively leveraging management expertise to enhance the governance and financial efficiency of the SOEs.

The SGRF was created in 1980 to invest contributions from Oman’s oil revenues and to subsidise Oman’s budget, when required. The SGRF now forms part of the consolidated OIA entity established by Royal Decree № 61/2020.

The OIA invests its assets in a diversified portfolio, across a wide range of geographies and sectors, in addition to making strategic investments with the aim of ensuring sustainable long-term returns. The OIA follows global best practices in developing its investment strategy through its overall asset allocation framework and geographical distribution.

The OIA focuses on two main investment categories: (i) tradable (public market) assets, such as global equities, fixed income bonds and short-term assets; and (ii) non-tradable (private market) assets, which include private investments in real estate, logistics, services, commercial and industrial projects, both in Oman and abroad. In addition, the OIA is party to several joint ventures that invest in foreign markets, including Vietnam Oman Investments, the Oman India Joint Investment Fund, the Uzbek Oman Investment Joint Venture and the Omani Brunei Investment Company. Total assets in the OIA amounted to OMR 16,172 million as at 31 March 2021, as compared to OMR 16,695 million as at 31 December 2020 and OMR 8,286 million as at 31 December 2019. This increase was due to the consolidation of the SGRF, OIF and the state-owned enterprises assets (excluding PDO) in the OIA.

Oman has also created a number of other funds which receive contributions from Oman’s oil revenues, including: the Petroleum Reserve Fund, which since 2018 has been designated as a contingency reserve for servicing debt and whose assets amounted to approximately OMR 827.7 million as at 31 August 2020; and the Infrastructure Project Finance/Infrastructure Development Account held assets of approximately OMR 7.5 million as at 31 January 2021.

### **Vision 2020, Vision 2040 and Five-Year Plans**

#### ***Vision 2020***

The Sultanate’s long-term development strategy, Vision 2020, has an emphasis on diversification, supporting other sectors that have been identified as economic drivers of the economy. Under Vision 2020, which was adopted in 1995, the Government aims to reduce the oil and gas sector’s contribution to GDP by 2020 by encouraging investment in non-oil and gas industries and services. Within the overarching framework of Vision 2020, progress has been implemented on a shorter-term basis by means of a series of five-year plans.

## ***The Five-Year Plans***

The Eighth Five-Year Plan for 2011 through 2015 aimed to contribute to this diversification of the Omani economy by increasing spending on key infrastructure projects, such as developing the ports at Salalah, Duqm and Sohar, and upgrading the airports in Muscat and Salalah. In particular, the Government focused on development of the Duqm Special Economic Zone (established by Royal Decree № 119/2011), which is intended to become a multi-sector industrial and economic hub for power, water desalination and distribution, petrochemicals, warehousing and logistics, light industry, tourism, fisheries and fish processing (as well as the necessary interconnecting infrastructure, including a port, an airport, a railway network and a road system).

The Ninth Five-Year Plan (2016-2020) maintained the Government's focus on economic diversification and enhancement of welfare and social benefits, while at the same time aiming to boost the private sector. To support these goals, over 500 programmes and policies were proposed across five target sectors: manufacturing, transportation and logistics, tourism, fisheries and mining. The Government views these five sectors as essential for the transformation of Oman from a predominantly oil-based economy to a diversified economy, and considers these sectors have the potential to create a significant number of jobs and to increase their contributions to annual GDP growth.

In order to achieve the targets for these sectors, the Government launched *Tanfeedh*, a programme, which aims to identify opportunities, as well as challenges, facing the public and Government sectors and civil society. *Tanfeedh* aims to outline detailed measurable strategies and designate responsibilities, resources, implementation timeframes to execute Oman's diversification plan. While the Ninth Five-Year Plan has five target sectors, *Tanfeedh* currently focuses on manufacturing, logistics and tourism, while at the same time also focusing on enhancing Oman's labour market and finance industry as "community and sustainability enablers" of economic diversification.

In addition, in connection with the Ninth Five-Year Plan, the Government aims to reduce non-core expenditures in favour of targeted investments by reducing fuel subsidies, freezing Government employment, deferring non-essential projects and reducing expenditure on non-essential transport for Government officials. The Ninth Five-Year Plan also aims to increase non-oil and gas revenues, including by increasing corporate tax rates to 15% and reducing exemptions, increasing the efficiency of tax and custom collection, imposing a VAT on goods and services in co-ordination with the GCC, imposing other select excise taxes (*e.g.*, alcohol, tobacco), increasing various administrative fees (including on property transactions) and increasing electricity and water tariffs.

The Ninth Five-Year Plan also emphasises the role of the private sector in driving Oman's economic growth. An expanded private sector is expected to be achieved through legislation encouraging private sector investment, developing and providing development funding for SMEs, the PASMED initiative for providing logistical, technical and other support for SMEs, public-private partnerships and general improvements to the investment climate. The Government also intends to expand the role of the private sector in acquiring, financing and managing Government projects. Furthermore, the Government has undertaken a series of measures to encourage SME development, including a quota for at least 10% of Government contracts to be awarded to SMEs by the Oman Tender Board, a requirement for local banks to extend at least 5% of their loan books to SMEs and the creation of the Al Raffd Fund.

Further to the Ninth Five-Year Plan's emphasis on the role of the private sector in driving Oman's economic growth, in September 2016, the Ministry of Finance began transferring its stakes in listed and private companies to other state-owned corporate and sovereign funds, including the OIF, and to special purpose holding companies with an aim to make such companies operations more efficient and improve their internal management, as well as to prepare for the possible privatisation of such companies in the future. As an initial step, in December 2016, Oman transferred its 51% stake in Oman Telecommunications Company SAOC ("**Omantel**"), the country's incumbent telecoms operator, from the Ministry of Finance to the OIF. The announcement was made in a disclosure to the Muscat Stock Exchange. The proceeds of OMR 287 million were used to purchase foreign reserves designated for deficit financing. The establishment of OIA and transfer of the Government's ownership in all state-owned enterprises is part of the plan of enhancing the efficiencies and improving the governance of these entities with the aim of possibly privatizing them in the future.

The Tenth Five-Year Plan for 2021 to 2025 is a part of Vision 2040.

## ***Vision 2040***

The Vision 2040 plan is expected to continue the diversification of the Omani economy away from hydrocarbons, pursuing infrastructure and other developments to further transform the Sultanate. Various committees have been formed, such as, a technical committee and three sectoral committees: (i) the People and Society Committee; (ii) the Economy and Development Committee; and (iii) the Governance and Institutional Performance Committee. A National Priorities and Strategies Alignment Committee, Organization and Follow up Committee, and the National Conference Preparation Team were also formed. Members of these committees comprise various stakeholders, representing all areas of Omani



society. In September 2020, Royal Decree № 100/2020 was issued, which provides for the establishment of the Oman Vision 2040 Implementation Follow-Up Unit, consolidating the Implementation Support and Follow-Up Unit and the Directorate General for Following-Up Government Services in the Secretariat General of the Council of Ministers.

Oman Vision 2040 is a roadmap addressing existing challenges, evolving to meet regional and global trends, seizing opportunities to foster economic competitiveness and social well-being. This is done with a particular focus on stimulating growth and balancing economic, social, and development objectives nationwide. While all of the national priorities are of critical, and equal, importance for Oman's development, five priorities have particularly shaped the Sultanate's medium term fiscal strategy. These include:

#### *Economic diversification and fiscal sustainability*

The Vision seeks to continue the journey of building a diversified economy with fiscal sustainability. To advance this objective, the Vision lays out three fiscal targets as follows:

- Reduce public expenditures as percentage of GDP to 34% by 2030 and 25% by 2040;
- Increase non-oil revenues as a percentage of GDP to 15% by 2030 and 18% by 2040; and
- Target a long-term average gross debt to GDP ratio that should not exceed 60%.

#### *The private sector and the global investment value-chain*

Re-emphasising the role of the private sector in the national economy, this priority aims to foster a business environment where the private sector leads Oman's development. Fiscal policy is shaped by the objectives that aim to:

- Shift government from being a service provider to a regulator;
- Encouraging flexible financing models for strategic projects that allow the private sector to take a greater role in the development of infrastructure; and
- Integrating Oman into global value-chains.

#### *Social Protection and well-being*

Vision 2040 states that social justice is a prerequisite for a cohesive, strong, and peaceful society. As such, fiscal reforms must be balanced with the need to provide sustainable, high quality social well-being services and the need to provide a social safety net that supports vulnerable populations. Additionally, the Vision requires the intergenerational equity considerations be taken into account to ensure the next generations of Omanis are able to benefit from the country's assets in a sustainable manner.

In April 2021, His Majesty Sultan Haitham bin Tarik, in line with the priorities of Vision 2040, endorsed a set of social protection initiatives, which aim to mitigate the implications arising from the COVID-19 pandemic and alleviate the immediate effects of measures taken to enhance the efficiency of public finances. See "*Response to COVID-19—Social Protection Initiatives*".

#### *Governance of the state's administrative bodies, resources, and projects*

The Government aspires to have a highly productive, flexible, and effective administrative apparatus with policymaking that is well planned, organized, monitored, and evaluated regularly. Achieving this requires a government that is well structured in a manner that promotes accountability and transparency and is focused on delivering high quality services through more efficient use of government resources. The recent decision to restructure the government in August 2020 is the first step towards these goals.

### **Medium-Term Fiscal Plan**

Oman's fiscal strategy is being prioritised to help implement, and ensure a strong foundation for, Vision 2040. To this end, a five-year Medium-Term Fiscal Plan ("MTFP") (2020-2024) has been developed by Tawazun, in collaboration with the Ministry of Finance and following extensive consultations with other ministries and authorities, to stabilise public finances and reduce the primary and overall fiscal deficits as a percentage of GDP in the medium term, with a target of achieving a primary fiscal balance. The MTFP has been developed in response to fiscal challenges and the uncertainty in the oil price.

The MTFP represents a shift in the Government’s approach to fiscal policy making to ensure broad support for the Sultanate’s fiscal objectives. The MTFP serves as the financial framework supporting Vision 2040.

The MTFP is intended to complement the State Budget for 2021 and the Tenth Five-Year Plan. The MTFP is a “living document”, which is expected to evolve during the course of the plan and will be updated to reflect market conditions, whilst maintaining fiscal sustainability and reducing the debt burden in the medium term as the key priorities. The MTFP has developed a holistic framework based on the following pillars:

- **Supporting economic growth:** The MTFP seeks to improve the pace of economic growth through improving the business environment, restructuring the labour market and stimulating the economy through domestic and foreign direct investment.
- **Diversifying and enhancing sources of Government revenues:** The MTFP aims to increase non-oil revenues as a share of GDP, to protect against oil price volatility and utilise local resources more efficiently. Initiatives related to increasing non-oil revenues are expected to have an impact of over OMR 1.8 billion.
- **Rationalising Government expenditures and driving efficiency:** Current, or operational, expenditures by civil, security and defence agencies represents the majority of Government expenditures. During 2020, the Government adopted a policy position to reduce the operational and development expenditures of Government agencies by 10% from the 2020 State Budget. The Government is committed to further efficiencies in 2021 by reducing recurring spending compared to 2020.
- **Enhancing the Social Safety Net:** The MTFP recognises that redesigning subsidies and the social safety net are critical components to allow the country to move away from universal support to targeted support for vulnerable families. The MTFP reform package aims to ensure social protection for vulnerable populations and promote intergenerational fairness.
- **Strengthening financial management:** Fiscal reforms will be accompanied by meaningful public finance management reforms and enhanced capacity building to improve efficiency of administration.

The above pillars include a number of measures to target achieving fiscal sustainability over the medium-term and targets the gradual reduction of the budget deficit to 1.7% of GDP by 2024.

The MTFP reform package includes specific policy reforms that have been developed in consultation with stakeholders across the public and private sectors. These initiatives are grouped into five categories, according to the fiscal objective they help to advance.

- **Economic growth:** The initiative to promote economic growth is central to the Sultanate’s efforts to achieve fiscal balance. Examples of reforms for this pillar include:
  - *Initiatives to improve the business environment*—Initiatives to support economic growth in this area include: (i) the introduction of electronic procedures for registering companies and issuing licences; (ii) liberalising the domestic real estate market by reducing fees, permitting rent-to-own and similar sales and permitting foreigners to own certain residential units; and (iii) reviewing Government fees.
  - *Labour Market Procedures*—The Ministry of Labour is reviewing the policies and rates “Omanisation” has imposed on various sectors by making “Omanisation” targets more flexible.
  - *Stimulate Domestic and Foreign Investment*—A set of laws issued in June 2019, including those relating to foreign capital investment, privatisation, public private partnerships and bankruptcy were introduced and further measures, including regulations implementing these new laws, are expected.
- **Revenue diversification:** The Government recognises the need to strengthen the Sultanate’s revenue-raising framework by decreasing its reliance on hydrocarbon revenues, which it aims to do through the following initiatives: (i) enhancing the returns from government investments, including through the reform of SOEs, and establishing dividend targets whilst gradually reducing subsidies, including phasing out water and electricity subsidies by from 2021 to 2025; (ii) strengthening tax administration and collection efficiency through enhanced compliance procedures, penalties, fines and enforcement; (iii) introducing VAT in line with other GCC member states at a base rate of 5% (with certain exemptions for essentials in the social context of the Sultanate), which was fulfilled in April 2021; and (iv) implementing a personal income tax for high earners (the scope of work for implementation of this tax is being developed and a specialist consultant has been appointed).
- **Expenditure rationalisation and efficiency:** Initiatives to support expenditure rationalisation and efficiency include: (i) rationalising development expenditures by reviewing and optimising existing commitments, including civil investments, and future proposals, strengthening governance and oversight of capital expenditure, implementing strategic procurement management and shifting oil and gas off-budget; (ii) reviewing current

expenditures and financial controls; (iii) introducing performance management in the public sector; (iv) reforming public services subsidies to reallocate them to vulnerable people; and (v) enhancing sourcing, controls, expertise and standardised pricing for defence and security expenditures. The Government established the OIA (Oman Investment Authority) to further this objective, which has enhanced efficiency in the management of state-owned enterprises and assets by eliminating duplication in legacy agencies, creating economies of scale and improving governance.

- **Social equity:** Redesigning subsidies and the social safety net are critical components to allow Oman to move away from universal support to targeted support for vulnerable families. A particular focus has been placed on ensuring that short-term support mechanisms are developed to offset water and electricity subsidy reforms while also developing a longer-term strategy to holistically rationalise and strengthen the entire social safety net system.
- **Public financial management and governance:** The Sultanate’s fiscal strategy, in line with Vision 2040, aims to increase the efficiency of the state administrative apparatus and foster a business environment that supports private sector growth. Tawazun is working closely with the Ministry of Finance to implement and monitor several initiatives in this area, including the following: (i) developing a Government Financial Management Information System; (ii) building capacity at the debt management office and macro fiscal unit; (iii) implementing a treasury single account programme; (iv) implementing a national asset register; and (v) enhancing the management of endowments.

While broad-ranging and varied in nature, these initiatives are united by a common goal of fostering an environment that enables the private sector to become the main driving force behind Oman’s economic development. Some of these initiatives have already been implemented with the benefits expected to be realised in 2021 and beyond. Others are scheduled for 2021-2024.

The following table sets forth the Government’s preliminary projections and estimates for Oman’s public finances to 2024, as a result of the multi-pronged fiscal adjustment strategy under the MTFP. All of these figures are subject to amendment and revision. See “*Forward-Looking Statements*”.

	<b>Year ended 31 December</b>			
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>(OMR millions, except as indicated)</i>			
Oil price (U.S.\$/bbl) .....	45	45	50	50
Oil production ('000 bbl/d).....	960	1,107	1,133	1,140
<b>Revenue measures</b>				
Enhanced returns from Government investments.....	195	160	155	150
VAT .....	300	400	732	766
Enhanced tax collection.....	50	50	50	50
Excise tax expansion .....	20	20	20	20
Personal income tax.....	0	200	320	400
<b>Total Revenue Adjustment</b> .....	<b>565</b>	<b>830</b>	<b>1,277</b>	<b>1,386</b>
<b>Expenditure measures</b>				
Civil ministries current expenditure reductions.....	(415)	(580)	(600)	(620)
Security and defence expenditure reductions .....	(675)	(650)	(510)	(430)
Water and electricity subsidy reforms .....	(215)	(289)	(540)	(618)
Other subsidy reforms .....	0	(25)	(54)	(74)
Development expenditure reduction.....	(300)	(300)	(300)	(300)
Capital expenditure on oil and gas production .....	(1,320)	(1,456)	(1,339)	(1,259)
<b>Total Expenditure Adjustment</b> .....	<b>(2,925)</b>	<b>(3,300)</b>	<b>(3,343)</b>	<b>(3,301)</b>
<b>Primary fiscal balance</b> .....	<b>(1,040)</b>	<b>(245)</b>	<b>955</b>	<b>1,445</b>
<i>Primary balance (% GDP)</i> .....	<i>(4.0)</i>	<i>(0.9)</i>	<i>3.2</i>	<i>4.6</i>
<b>Fiscal balance</b> .....	<b>(2,230)</b>	<b>(1,660)</b>	<b>(605)</b>	<b>(165)</b>
<i>Fiscal balance (% GDP)</i> .....	<i>(8.6)</i>	<i>(5.9)</i>	<i>(2.0)</i>	<i>(0.5)</i>

*Source: National Center for Statistics & Information*

The following table sets forth the Government’s preliminary projections and estimates for certain key indicators to 2024, including targeted reductions in deficit and debt, assuming effective implementation of the MTFP. All of these figures are subject to amendment and revision. See “*Forward-Looking Statements*”.

	Year ended 31 December			
	2021	2022	2023	2024
	<i>(OMR millions, except as indicated)</i>			
<b>Revenues<sup>(1)</sup>, of which:</b> .....	<b>8,620</b>	<b>9,490</b>	<b>10,815</b>	<b>11,315</b>
<i>Non-oil revenues</i> .....	3,200	3,640	4,025	4,270
<b>Expenditures, of which:</b> .....	<b>10,850</b>	<b>11,150</b>	<b>11,420</b>	<b>11,480</b>
<i>Operational expenditure (including adjustments)</i> .....	8,750	8,835	8,960	8,970
<i>Capital expenditures</i> .....	900	900	900	900
<i>Interest</i> .....	1,200	1,415	1,560	1,610
Budget deficit .....	2,230	1,660	605	165
Outstanding debt.....	21,340	22,600	22,805	22,570
Real GDP growth (%) .....	2.3	7.9	2.8	2.6
CPI (%).....	3.8	2.6	3.4	2.2
Nominal GDP .....	25,796	27,907	30,138	31,495
		<i>(% GDP)</i>		
<b>Government Deficit</b> .....	<b>8.6</b>	<b>5.9</b>	<b>2.0</b>	<b>0.5</b>
<b>Government Debt</b> .....	<b>82.7</b>	<b>81.0</b>	<b>75.7</b>	<b>71.7</b>

*Source: National Center for Statistics & Information*

#### Note

(1) Including oil revenues before transfers to the Petroleum Reserve Fund.

### Economic Stimulus Plan (COVID-19)

In March 2021, His Majesty Sultan Haitham bin Tarik, presiding over a meeting of the Council of Ministers, announced an economic stimulus plan intended to support efforts to counter the economic effects of the COVID-19 pandemic. The economic stimulus plan offers incentives in the following five key areas: (i) taxes and fees; (ii) business environment and investment climate; (iii) SMEs; (iv) labour market and employment; and (v) banking sector. See “*Response to COVID-19—Economic Stimulus Plan (COVID-19)*”.

### Gross Domestic Product

In 2019, Oman’s economic activity was subdued, reflecting a decline in oil prices and production, and the broader uncertainty of the global economy. Consequently, nominal GDP decreased by 4.3% for the year ended 31 December 2019 as compared to the year ended 31 December 2018 and increased by 13% during the year ended 31 December 2018 as compared to the year ended 31 December 2017. GDP per Capita in OMR for the years 2015, 2016, 2017, 2018 and 2019 were 6,324, 5,704, 5,953, 6,667 and 6,356 respectively. In the year ended 31 December 2020, nominal GDP was OMR 24,857.3 million, as compared to OMR 29,349.5 million for the year ended 31 December 2019, a decrease of 15.3%. The Government expects that real GDP decreased by 4.3% in 2020. See “*Response to COVID-19*”.

Despite its diversification efforts, Oman’s economy continues to be dominated by oil and gas activities, which accounted for 31.1% of nominal GDP during the year ended 31 December 2020 as compared to 34.4% of nominal GDP during the year ended 31 December 2019. Hydrocarbon sector activities was impacted by the lower average oil prices and lower production levels as a result of OPEC production cuts. The oil and gas sector’s contribution to nominal GDP decreased by 23.4% during the year ended 31 December 2020, as compared to the year ended 31 December 2019. The non-oil and gas sector’s contribution to nominal GDP also decreased by 10.5% during the year ended 31 December 2020, as compared to the year ended 31 December 2019, with decreases across several major areas including services, manufacturing, and construction.

## Nominal GDP

The following table sets forth nominal GDP by economic activity for each of the periods indicated.

	For the year ended 31 December <sup>(1)</sup>						Change
	2015	2016	2017	2018	2019*	2020*	2019-2020
	<i>(OMR millions, except percentages)</i>						
<b>Industry</b> .....	<b>14,266.2</b>	<b>12,117.0</b>	<b>13,513.0</b>	<b>16,928.9</b>	<b>15,767.7</b>	<b>12,044.30</b>	<b>(23.6)%</b>
<b>Petroleum Activities</b> .....	<b>8,770.7</b>	<b>6,689.4</b>	<b>8,071.6</b>	<b>11,022.5</b>	<b>10,095.6</b>	<b>7,732.50</b>	<b>(23.4)%</b>
Crude Petroleum .....	7,587.5	5,480.3	6,778.7	9,408.0	8,505.1	6,251.60	(26.5)%
Natural Gas .....	1,183.2	1,209.0	1,292.9	1,614.5	1,590.5	1,480.90	(6.9)%
<b>Non-Petroleum Industrial Activities</b> .....	<b>5,495.5</b>	<b>5,427.6</b>	<b>5,441.4</b>	<b>5,906.4</b>	<b>5,672.1</b>	<b>4,311.80</b>	<b>(24.0)%</b>
Mining and Quarrying .....	122.8	128.1	148.1	140.3	125.5	129.5	3.2%
Manufacturing .....	2,794.5	2,496.4	2,709.3	3,218.4	3,071.8	2,041.10	(33.6)%
Electricity and Water Supply .....	511.0	511.9	498.9	599.7	620.3	627.3	1.1%
Construction .....	2,067.1	2,291.2	2,085.1	1,948.0	1,854.6	1,513.90	(18.4)%
<b>Agriculture and Fishing</b> .....	<b>523.5</b>	<b>573.5</b>	<b>617.2</b>	<b>650.7</b>	<b>690.6</b>	<b>751.7</b>	<b>8.9%</b>
<b>Services</b> .....	<b>13,206.9</b>	<b>13,593.6</b>	<b>14,131.0</b>	<b>14,242.6</b>	<b>14,128.0</b>	<b>13,270.30</b>	<b>(6.1)%</b>
Wholesale and Retail Trade .....	2,264.3	2,192.0	2,294.8	2,236.0	2,064.7	1,800.80	(12.8)%
Hotels and Restaurants .....	255.8	268.9	271.8	290.1	308.6	185.3	(39.9)%
Transport, Storage and Communication .....	1,593.3	1,516.7	1,656.6	1,724.8	1,721.2	1,357.20	(21.2)%
Financial Intermediation .....	1,487.5	1,628.0	1,769.5	1,957.4	2,012.4	1,856.10	(7.8)%
Real Estate and Business Activities ....	1,249.4	1,295.2	1,324.7	1,380.8	1,409.6	1,272.2	(9.8)%
Public Administration and Defence ....	3,296.5	3,580.7	3,655.8	3,657.3	3,574.7	3,486.90	(2.5)%
Other Services (Education, Health, Community/Personal Services and Private Household) .....	3,060.1	3,112.0	3,157.8	2,996.4	3,036.7	3,311.8	9.1%
<b>Less: Financial Intermediation Services Indirectly Measured<sup>(2)</sup> .....</b>	<b>(693.2)</b>	<b>(741.1)</b>	<b>(768.6)</b>	<b>(783.9)</b>	<b>(810.7)</b>	<b>(786.1)</b>	<b>(3.0)%</b>
<b>Gross Domestic Product at Producers Prices</b> .....	<b>27,303.4</b>	<b>25,542.9</b>	<b>27,492.6</b>	<b>31,038.3</b>	<b>29,775.6</b>	<b>25,280.0</b>	<b>(15.1)%</b>
<b>Plus: Taxes Less Subsidies on Products</b>	<b>(803.1)</b>	<b>(188.4)</b>	<b>(347.7)</b>	<b>(359.5)</b>	<b>(426.1)</b>	<b>(422.7)</b>	<b>(0.8)%</b>
<b>Gross Domestic Product at Market Prices</b> .....	<b>26,500.3</b>	<b>25,354.5</b>	<b>27,144.9</b>	<b>30,678.8</b>	<b>29,349.5</b>	<b>24,857.3</b>	<b>(15.3)%</b>
Total Non-Petroleum Activities .....	19,225.9	19,594.6	20,189.6	20,799.7	20,490.7	18,333.8	(10.5)%

Source: National Center for Statistics & Information.

### Notes

\* Preliminary.

(1) The figures in this table have been revised and differ from previously published data. See "Presentation of Economic and Other Information".

(2) This line item represents an indirect measure of the value of financial intermediation services (i.e., output) provided but for which financial institutions do not explicitly charge, as opposed to explicit bank charges.

The following table sets forth the activity components of nominal GDP, as an approximate share of total GDP, for each of the years ended 31 December 2015, 2016, 2017, 2018, 2019 and 2020.

	Year ended 31 December <sup>(1)</sup>					
	2015	2016	2017	2018	2019*	2020*
	(%)					
Total Petroleum Activities .....	33.1	26.4	29.7	35.9	34.4	31.1
Construction .....	7.8	9.0	7.7	6.3	6.3	6.1
Wholesale and Retail Trade .....	8.5	8.6	8.5	7.3	7.0	7.2
Public Administration and Defence .....	12.4	14.1	13.5	11.9	12.2	14.0
Other Activities .....	38.1	41.8	40.6	38.6	40.1	41.5

Source: National Center for Statistics & Information

### Notes

\* Preliminary.

(1) The figures in this table have been revised and differ from previously published data. See "Presentation of Economic and Other Information".

## Real GDP

The following table sets forth the real GDP by economic activity at constant prices (base 2010) for each of the periods indicated. Figures for the year ended 31 December 2020 are not available.

	For the year ended 31 December <sup>(1)</sup>				
	2015	2016*	2017	2018	2019*
	<i>(OMR millions, except percentages)</i>				
<b>Industry</b> .....	<b>16,846</b>	<b>17,623</b>	<b>17,322.7</b>	<b>17,695.4</b>	<b>17,916.7</b>
<b>Petroleum Activities</b> .....	<b>11,588.1</b>	<b>12,000.5</b>	<b>11,656.4</b>	<b>11,928.1</b>	<b>11,954.0</b>
Crude Petroleum .....	10,701.0	11,079.4	10,717.1	10,842.0	10,805.2
Natural Gas .....	887.1	921.0	939.3	1,086.2	1,148.8
<b>Non-Petroleum Industrial Activities</b> .....	<b>5,257.9</b>	<b>5,622.9</b>	<b>5,666.3</b>	<b>5,767.3</b>	<b>5,962.7</b>
Mining and Quarrying .....	110.5	120.3	147.8	135.7	146.5
Manufacturing .....	2,602.7	2,679.1	2,718.7	2,984.1	3,119.5
Electricity and Water Supply .....	532.7	560.6	593.1	611.7	753.3
Construction .....	2,012.1	2,262.9	2,206.6	2,035.8	1,943.3
<b>Agriculture and Fishing</b> .....	<b>492.0</b>	<b>532.8</b>	<b>579.3</b>	<b>743.3</b>	<b>757.7</b>
<b>Services</b> .....	<b>11,960.3</b>	<b>12,427.6</b>	<b>12,905.0</b>	<b>12,729.8</b>	<b>12,593.3</b>
Wholesale and Retail Trade .....	2,241.8	2,328.4	2,437.7	2,724.2	2,098.4
Hotels and Restaurants .....	259.7	293.9	283.9	298.6	320.1
Transport, Storage and Communication .....	1,738.6	1,728.0	1,922.7	1,845.1	1,844.6
Financial Intermediation .....	1,460.3	1,568.4	1,611.6	1,585.2	1,577.6
Real Estate and Business Activities .....	1,165.5	1,195.0	1,218.0	1,262.3	1,290.4
Public Administration and Defence .....	2,732.6	2,907.1	3,018.4	3,057.9	3,053.2
Other Services (Education, Health, Community/ Personal Services and Private Household) .....	2,361.8	2,406.9	2,412.7	2,406.4	2,409.0
<b>Less: Financial Intermediation Services Indirectly     Measured</b> .....	<b>(720.6)</b>	<b>(709.6)</b>	<b>(673.7)</b>	<b>(581.3)</b>	<b>(577.5)</b>
<b>Gross Domestic Product at Producers Prices</b> .....	<b>28,577.8</b>	<b>29,874.3</b>	<b>30,133.2</b>	<b>30,587.2</b>	<b>30,690.3</b>
<b>Plus: Taxes Less Subsidies on Products</b> .....	<b>(1,193.2)</b>	<b>(1,125.8)</b>	<b>(1,308.1)</b>	<b>(1,497.0)</b>	<b>(1,840.2)</b>
<b>Gross Domestic Product at Market Prices</b> .....	<b>27,384.6</b>	<b>28,748.5</b>	<b>28,825.2</b>	<b>29,090.2</b>	<b>28,850.1</b>
Total Non-Petroleum Activities .....	17,710.3	18,583.4	19,150.6	19,240.4	19,313.7

*Source: National Center for Statistics & Information.*

### Notes

\* Preliminary.

(1) The figures in this table have been revised and differ from previously published data. See "Presentation of Economic and Other Information".

The following table sets forth the real economic growth indicators by key economic activity for each of the Five-Years ended 31 December 2019:

	For the year ended 31 December				
	2015	2016	2017	2018	2019*
	<i>(Percentage change)</i>				
Real GDP .....	4.7	5.0	0.3	0.9	(0.8)
Real Petroleum GDP .....	4.4	3.6	(3.0)	2.3	0.2
Real Non-Petroleum GDP .....	5.6	4.9	3.3	0.5	0.4

*Source: National Center for Statistics & Information.*

### Note

\* Preliminary.

The following table sets forth the cumulative real economic growth indicators for selected sectors at constant prices (base 2010) during the five years from 2015 to 2019:

	<b>For the years ended 31 December 2015-2019</b>
	<i>(Percentage change)</i>
Total Petroleum activities .....	0.8
Total non-Petroleum activities.....	2.2
Hotels and Restaurants .....	5.4
Financial Intermediation.....	2.0
Buildings and Construction .....	(0.9)
Mining and Quarrying .....	7.3
TSA .....	1.5
Public Administration and Defence.....	2.8
Manufacturing .....	4.6

*Source: National Center for Statistics & Information, Supreme Council for Planning*

## Principal Sectors of the Economy—Oil and Gas Sector

### Overview

The first commercial discoveries of oil and gas in Oman were made in 1964 in the Fahud region of northern Oman. Oil production has been the cornerstone of the economy of Oman since then, providing both the principal source of Government revenues and foreign exchange receipts, as well as the stimulus for extensive economic and industrial growth.

Oman's competitive advantages in the oil and gas sector include a stable operating environment and a collaborative government that offers Exploration and Production Sharing Agreements (“**EPSAs**”) with commercial terms negotiated through an open auction process. As a result of these factors, the Ministry of Energy and Minerals has been successful in attracting a number of international players to explore and develop its acreage, with 30 oil companies operating development or exploration acreage in Oman. However, Petroleum Development Oman LLC (“**PDO**”), in which the Government holds a 60% stake, still operates the majority of the producing acreage positions in the country and accounted for approximately 67% of Oman's combined oil and condensate production for the five months ended 31 May 2021. Pursuant to Royal Decree № 21/2021, the Government has established a new entity, Energy Development Oman (EDO), to which all of the Government's rights and obligations in respect of Block 6 were transferred, in order to align the structure of Oman's oil and gas holdings with other major hydrocarbon-producing countries. See “—Crude Oil and Gas Operations”.

For the six months ended 30 June 2019 and the years ended 31 December 2018 and 2017, the oil and gas industry accounted for 32.9%, 33.9% and 35.9%, respectively, of nominal GDP. Revenues from petroleum activities generated 75.6%, 80.5% and 73.4%, of total consolidated Government revenues for the seven months ended 31 July 2020 and the years ended 31 December 2019 and 2018, respectively, and oil and gas exports accounted for 66.0%, 68.5% and 65.4%, of the total value of merchandise exports (including re-exports) for the three months ended 31 March 2020 and the years ended 31 December 2019, and 2018, respectively.

Oman is the largest non-OPEC crude oil producer in the Middle East, other than Qatar, with crude oil and condensates output of 950,700 barrels per day (“**bbl/d**”) for the year ended 31 December 2020 as compared to 970,900 bbl/d for the year ended 31 December 2019, 981,000 bbl/d for the year ended 31 December 2018, 971,800 bbl/d for the year ended 31 December 2017 and 1,004,300 bbl/d for the year ended 31 December 2016.

The following table sets forth a general overview of Oman's oil and gas sector as at or for the year ended 31 December 2020.

Crude oil and condensate reserves.....	4.7 billion bbl
Average daily crude oil and condensate production .....	950,700 bbl/d
Gas reserves.....	23.7 tcf
Average daily gas production .....	122 mcm/d

*Source: Ministry of Energy and Minerals.*

In January 2017, Oman began to reduce oil production by 5% (or approximately 45,000 barrels (“**bbl**”)), in line with commitments agreed upon at the December 2016 OPEC meeting in Vienna, Austria. Additionally, at the November 2017 OPEC meeting, Oman agreed to extend production cuts until the end of 2018, and, although OPEC agreed to raise

production levels in June 2018, in December 2018 OPEC again agreed to reduce productions levels (to 970,000 bbl/d in the case of Oman). In July 2019 OPEC agreed to extend the reduction in production levels. Oman, as a non-OPEC producer, agreed to further production cuts in April 2020 in order to align on OPEC production levels. Further production cuts of 5.8 million barrels per day are expected to continue from January 2021 until the end of April 2022. See “*Risk Factors—Risk Factors in relation to the Issuer—Oman’s economy and public finance are significantly affected by volatility in international oil prices*”.

Oman is currently implementing a variety of strategic growth projects in its oil and gas sector, which are worth in aggregate approximately U.S.\$26 billion. The aim of these projects is to further develop Oman’s oil and gas resources and contribute to Oman’s economic diversification.

The following table sets forth Oman’s average daily hydrocarbon production for the periods indicated.

	Year ended 31 December					
	2015	2016	2017	2018	2019*	2020*
Oil and Condensates ( <i>thousand bbl/d</i> ).....	981.1	1,004.3	970.6	978.4	970.9	950.7
Natural Gas ( <i>mcm/d</i> ).....	103.6	106.1	106.8	119.8	122.2	122.0
Natural Gas ( <i>thousand boe/d</i> ).....	630.5	667.3	671.8	754.7	745.7	743.8
<b>Total (<i>thousand boe/d</i>).....</b>	<b>1,611.6</b>	<b>1,671.6</b>	<b>1,642.4</b>	<b>1,733.1</b>	<b>1,716.6</b>	<b>1,694.5</b>

Source: Ministry of Energy and Minerals.

**Note**

\* Preliminary.

Oman’s crude oil production decreased to 950.7 barrels of oil equivalent (“**boe**”) per day for the year ended 31 December 2020, as compared to 970.9 boe/day for the year ended 31 December 2019 and 981.0 boe/day for the year ended 31 December 2018.

PDO operates Block 6, which is the centre of enhanced oil recovery operations and includes fields using several of the enhanced oil recovery techniques, such as the Marmul field (polymer), the Harweel field (miscible), the Qarn Alam field (steam) and the Amal-West field (solar). Oman’s average daily natural gas production was 122.0 mcm/day for the year ended 31 December 2020.

**Crude Oil and Gas Operations**

Oman does not have a state oil company, but holds most of its oil reserves in Petroleum Development Oman LLC, which was established in 1937 as a joint venture between Shell Petroleum Oman Ltd, *Compagnie Française des Pétroles* (the predecessor of Total S.A. (“**Total**”)) and PTT Exploration and Production Public Company Limited (“**PTTEP**”). PDO is 60% owned by the Government, 34% owned by Royal Dutch Shell (“**Shell**”), 4% owned by Total and 2% owned by PTTEP. The Government accrues revenues from its share in the EPSAs and holds a direct participating interest in only one upstream concession, Block 6.

Block 6 is the main onshore oil concession in Oman, covering approximately 40% of the country’s land acreage. PDO was responsible for 64.7% of Oman’s oil production and more than 69% of Oman’s gas production for the ten months ended 31 October 2020. The Government owns 60% of Block 6, and the remaining 40% is owned by Private Oil Holdings Oman Ltd. (“**POHOL**”), which in turn is 85% owned by Shell, 10% owned by Total and 5% owned by PTTEP. POHOL and the Government contracted the operations of Block 6 to PDO.

Pursuant to Royal Decree № 21/2021, the Government has established EDO, to which all of the Government’s rights and obligations in respect of Block 6 were transferred, in order to align the structure of Oman’s oil and gas holdings with other major hydrocarbon-producing countries. Under the Royal Decree, EDO is a holding company that receives directions from the Government and has a board of directors appointed by His Majesty Sultan Haitham bin Tarik. EDO will be responsible for covering its own capital and operating expenditures, while maintaining the pre-existing cash flows to the Government from PDO in the form of dividends, royalties and taxes. EDO will only be able to raise debt financing to develop additional value and within the constraints of a governance framework pre-agreed with the Ministry of Finance. A Concession Agreement was subsequently entered into by the Government and EDO with respect to Block 6, which was approved by Royal Decree № 43/2021.

The earliest petroleum contracts in Oman were based on a concession-type tax and royalty system, in which the concessionaire held rights to all the petroleum produced in the concession area. With the exception of the Block 6 concession, which still operates under a modified tax/royalty regime, this form of contract has been superseded by a relatively standard form of EPSA, with commercial terms negotiated on a contract-by-contract basis by the Ministry of



Energy and Minerals on behalf of the Government. The terms of cost recovery and production sharing vary depending upon the prospects of the area, the proximity to existing infrastructure and whether the concession is onshore or offshore. Cost recovery provisions generally range from 40% to 50%, and the Government generally takes between 70% to 85% of oil produced (after deduction of amounts of oil to cover certain agreed costs) under the terms of its EPSAs. The average tenor of the EPSAs is 25 years, with no significant contracts up for renewal in the next 12 months. The EPSA for Block 36 was renewed in September 2020.

The Government currently has 36 EPSAs with 20 oil and gas companies. Eleven of these agreements are in the production phase and 18 agreements are in the exploration stage. Occidental Petroleum Corporation (“**Occidental**”) operates the largest non-PDO concession through four separate concession areas including the enhanced oil recovery development of the Mukhaizna field in the south of the country.

The Government also owns 100% of the non-associated gas reserves in PDO’s Block 6, which supplies gas for Oman’s liquid natural gas (“**LNG**”) plant. Exploration, development and production of these gas assets are undertaken by PDO, on a cost-plus basis on behalf of the Government. The Government also holds a 51% share in the downstream element of Oman’s LNG project and a 66% share in the Qalhat LNG project. See “—*Infrastructure—Natural gas infrastructure*”.

### ***Exploration and drilling***

PDO has dominated exploration activity in the country since 1937. Most of the active licenses in Oman are situated within the four main producing basins of South, Central and West Oman and the Oman Foreland sub-basin in northern Oman. Block 6 extends across all four of these established sub-basins. Onshore licenses accounting for over 85% of active licenses; there are four active offshore licenses.

The primary producing basins in South, Central and West Oman and the Foreland sub-basin in northern Oman are the locations of 95% of the key exploration and appraisal wells drilled in Oman. The remaining wells have been drilled in four other basins, three of which are offshore and one of which is onshore in eastern Oman. PDO’s initial exploration and appraisal drilling was focused on the northern areas of Block 6, close to its first discoveries in the Yibal and Fahud fields. Drilling then continued in the Qarn Alam area, directly south of Fahud, where a number of discoveries were made in the early 1970s. Following the discovery of the Marmul field in 1980, PDO increased its drilling in the under-explored areas of southern Oman. In the mid-to-late 1990s the Central Oman sub-basin was the focus of gas exploration and appraisal activity in the Qarn Alam area for reserves to support the Oman LNG project. In recent years, PDO, Occidental, PTTEP and CCED have had relatively successful drilling results in the Central Oman Basin and the Oman Foreland sub-basin.

All unlicensed blocks in Oman are available for oil company participation via EPSAs through direct negotiation with the Ministry of Energy and Minerals. The Ministry of Energy and Minerals periodically organises licensing rounds in which open acreage is directly marketed to prospective investors. Interested companies may negotiate for opportunities either within or outside official licensing rounds. Licensing activity has increased significantly in recent years, partially due to the re-licensing of relinquished PDO acreage, as well as the Ministry of Energy and Minerals’ response to falling oil production and rising gas demand.

In 2004, PDO’s Block 6 concession was extended to 2044 by the Ministry of Energy and Minerals. In 2007, BP was selected by the Ministry of Energy and Minerals to appraise and develop the Khazzan and Makarem gas fields, located in Block 61 in the Central Oman basin. In 2013, Oman and BP signed a gas-sales agreement and an amended EPSA for the Khazzan field, with total investment for the full-field development estimated to be approximately U.S.\$16 billion. The EPSA was further amended on 8 November 2016 in order to extend the licensing area of the block and enable further development of the Khazzan field. See “—*Infrastructure—Natural gas infrastructure*”. In February 2021, BP agreed to sell 20% of its participating interest in Block 61 to PTT Exploration and Production Public Company Limited of Thailand. Following completion of the sale, BP will remain the operator of Block 61 and retain a 40% interest.

In 2018, the Ministry of Energy and Minerals signed three new EPSAs. The first is with Petroleb LLC (Block 57) with a total investment for the first phase estimated to be U.S.\$20 million. The second is with Occidental Oman (Block 51), with total investment for the first phase estimated to be U.S.\$6 million. The final is with Occidental Oman and Oman Oil Exploration and Production LLC (Block 65), with total investment for the first phase estimated to be U.S.\$32 million. Three new EPSAs were signed during 2020: (i) Block 12 with Total; (ii) Block 58 with Tethys; and (iii) Block 70 with Maha Energy. Negotiations in respect of EPSAs for two further blocks with proven hydrocarbon reserves are nearing completion.

On 8 February 2021, the Ministry of Energy and Minerals signed an EPSA with Majan Energy LLC (“**Majan Energy**”) for the development of Block 71, a 282 km<sup>2</sup> area in the south of Oman carved out of PDO’s Block 6 licence, which contains the heavy oil Habhab field. Majan Energy will conduct geological studies and drill evaluation wells to extract heavy oil from the field.

## Hydrocarbon Reserves

Oman's reserves are distributed evenly among the South Oman, Oman Foreland, Central and West Oman sub-basins. The South Oman and the Oman Foreland sub-basins contain predominately oil reserves, while the Central and West Oman sub-basins, as well as having significant oil and condensate reserves, contain substantial reserves of both non-associated and associated gas.

The following table sets forth Oman's hydrocarbon reserves as at 31 December for the five years ended 31 December 2019.

	As at 31 December					
	2015	2016	2017	2018	2019	2020
Oil and Condensates (billion bbl) .....	5.3	5.1	4.8	4.8	4.8	4.7
Natural Gas (tcf) .....	23.1	24.7	25.0	24.7	23.8	23.7
<b>Total (billion boe) .....</b>	<b>9.4</b>	<b>9.5</b>	<b>9.2</b>	<b>9.3</b>	<b>9.1</b>	<b>8.9</b>

Source: Ministry of Energy and Minerals

### Note

\* Estimated

### Oil and condensate reserves

Oman's total proved and probable oil and condensate reserves as at 31 December 2020 were 4,706.3 million barrels ("mmbbl"), as compared to 4,842.7 mmbbl as at 31 December 2019 and 4,790.9 mmbbl as at 31 December 2018. The steady level of Oman's total proved and probable oil and condensate reserves are the result of the adoption of enhanced oil recovery and production techniques.

Oman's main oil fields are now mature and maintaining its oil reserves is expected to depend largely on the ability of PDO and Occidental Oman to increase recovery rates using enhanced oil recovery techniques. During 2018, 88 exploration and appraisal wells were drilled and evaluated, which added new oil and gas reserves and helped maintain oil and gas production.

At 31 December 2020, PDO's proved and probable oil and condensate reserves were 3,225.7 mmbbl, as compared to 3,253.9 mmbbl as at 31 December 2019. Proved and probable reserves in fields operated by other oil companies were 1,480.6 mmbbl as at 31 December 2020, as compared to 1,588.9 mmbbl as at 31 December 2018.

Oman's estimated gas reserves were 23.7 trillion cubic feet ("tcf") as at 31 December 2020, as compared to 23.8 tcf at 31 December 2019 and 24.6 tcf at 31 December 2018. The decrease is mainly due to the decrease in additional volumes to reserve as compared to volumes produced. Almost 55% of Oman's remaining proved and probable gas reserves are contained within ten fields operated by PDO and 40% are contained in two fields operated by BP Oman in Block 61. For the year ending 31 December 2020, current estimates are that proved and probable oil and condensate reserves have decreased slightly to 4.7 billion bbl and that proved and probable natural gas reserves have decreased marginally to 23.7 tcf.

The following table sets forth Oman's total proved and probable oil and condensate reserves by company as at 31 December for the years indicated.

	As at 31 December					
	2015	2016	2017	2018	2019*	2020
	(mmbbl)					
PDO (Block 6) .....	3,490.2	3,366.4	3,237.8	3,285.9	3,253.9	3,225.7
Others .....	1,852.9	1,750.2	1,515.7	1,505.0	1,588.8	1,480.6
<b>Total .....</b>	<b>5,343.1</b>	<b>5,116.6</b>	<b>4,753.5</b>	<b>4,790.9</b>	<b>4,842.7</b>	<b>4,706.3</b>

Source: Ministry of Energy and Minerals.

### Note

\* Preliminary.

### Natural gas reserves

The vast majority of Oman's proved and probable natural gas reserves are held within PDO's Block 6. Almost 55% of Oman's remaining proved and probable gas reserves are contained within ten fields operated by PDO, most of which are in the Saih Rawl Cluster area. The deep reservoir of the Saih Rawl field is the country's largest proven non-associated gas field, containing approximately 40% of the remaining proved and probable reserves. Gas reserves have the potential

to increase significantly if BP's Khazzan-Makarem fields are fully appraised. The in-place volumes at Khazzan and Makarem are estimated to range from 50 to 100 tcf. The significant range in estimates for these projections reflects the uncertainty relating to developing these deep, tight gas fields.

At 31 December 2020, PDO's proved and probable gas reserves were 13.1 tcf as compared to 12.8 tcf as at 31 December 2019 and 13.3 as at 31 December 2018. Proved and probable reserves in fields operated by other oil companies were 10.6 tcf as at 31 December 2020 as compared to 10.7 tcf as at 31 December 2019 and 11.3 tcf as at 31 December 2018. Total proved and probable natural reserves throughout Oman were 23.7 tcf as at 31 December 2020 as compared to 23.8 tcf as at 31 December 2019 and 24.6 tcf at 31 December 2018.

The following table sets forth Oman's total proved and probable gas reserves by company for the periods indicated.

	As at 31 December					
	2015	2016	2017	2018	2019*	2020
	(tcf)					
PDO.....	15.9	13.5	12.8	13.3	12.8	13.1
Others.....	7.2	11.2	12.2	11.4	11.0	10.6
<b>Total.....</b>	<b>23.1</b>	<b>24.7</b>	<b>25.0</b>	<b>24.7</b>	<b>23.8</b>	<b>23.7</b>

*Source: Ministry of Energy and Minerals.*

**Note**

\* Preliminary.

**Production**

*Oil and condensates production*

Commercial oil production began in Oman in 1967, when PDO's Fahud and Natih fields were brought onstream. In 1969, PDO began producing from the Yibal oil and gas field. The Fahud, Natih and Yibal fields still make a significant contribution to Oman's production today. Until 1980, all Omani liquids production came entirely from PDO-operated fields. However, in 1980, Elf brought the Sahmah field into production, and in 1984, Occidental Oman brought the Safah field onstream. Subsequently, two other fields started production: the Daleel field located in Wadi Aswad (Block 5) and operated by JAPEX (now Daleel Petroleum) in 1990, followed in 1994 by the offshore Bukha field, now operated by DNO. Occidental Oman became the operator of the Mukhaizna field in 2005 and has increased production on that field through a large-scale steam injection enhanced oil recovery project.

Between 2000 and 2008 Oman's oil production experienced a decline, from 950,000 bbl/d to 750,000 bbl/d, due to decreasing output from PDO's ageing fields. In response, PDO shifted its focus to increasing recovery from its existing fields, and this has led to the sanctioning of over 15 waterflood projects and four major enhanced oil recovery projects since 2005. This change in PDO's focus was accompanied by a sizeable increase in production outside Block 6, as a result of development growth and successful exploration finds by other operators in other areas of Oman.

Condensate production decreased between 2012 and 2016, to 89,300 bbl/d from a peak of 105,100 bbl/d in 2012. In 2017, condensate production decreased to 81,200 bbl/d from 89,300 bbl/d in 2016. In 2020, condensate production increased to 180,800 bbl/d, as compared to 130,400 bbl/d in 2019 and 103,300 bbl/d in 2018. Condensate is produced mainly from PDO's fields in the Qarn Alam area and is supplemented by very small volumes from Suneinah, Bukha, Wadi Aswad and Shams. The recent increase is a consequence of PDO increasing production from its non-associated gas fields, such as the condensate-rich Kauther field, which was brought onstream in late 2007, with a small contribution from Abu Butabul which came onstream in 2015. There are also projected to be additional volumes from Khazzan-Makarem, which came onstream in September 2017 (phase 1). See "*Natural Gas Production*".

The following tables set forth total oil and condensate production in Oman for the periods indicated.

	Year ended 31 December						Three months ended 31 March 2021*
	2015	2016	2017	2018	2019*	2020*	
	(mmbbl)						
Crude Oil Sub-Total.....	323.1	334.9	325.1	317.5	306.8	278.8	65.7
Condensates Sub-Total.....	35.0	33.0	29.59	39.6	47.6	69.1	20.1
<b>Total of Oil and Condensates.....</b>	<b>358.1</b>	<b>367.9</b>	<b>354.7</b>	<b>357.1</b>	<b>354.4</b>	<b>347.9</b>	<b>85.8</b>

*Source: Ministry of Energy and Minerals.*

**Note**

\* Preliminary.

The following tables set forth the average daily oil and condensate production in Oman for the periods indicated.

	Year ended 31 December					Three months ended 31 March 2021*
	2015	2016	2017	2018	2019*	2020*
	(thousand bbl/d)					
Crude Oil Sub-Total .....	885.2	915.0	884.0	869.9	840.6	730.1
Condensates Sub-Total .....	95.9	89.3	86.6	108.5	130.4	223.5
<b>Total of Oil and Condensates.....</b>	<b>981.1</b>	<b>1,004.3</b>	<b>970.6</b>	<b>978.4</b>	<b>970.9</b>	<b>953.6</b>

Source: Ministry of Energy and Minerals.

**Note**

\* Preliminary.

Total oil and condensates production in Oman stood at 85.8 mmbbl in the first three months of 2021. Average production per day in Oman in the first three months of 2021 was 953,600 bbl/d, as compared to 950,700 bbl/d for the year ended 31 December 2020 and 970,900 bbl/d for the year ended 31 December 2019. The decrease in production from the year ended 31 December 2019 to 31 December 2020 resulted principally from a decrease in the global demand for oil. The decrease in production from the year ended 31 December 2018 to 31 December 2019 resulted principally from decrease in agreed production with OPEC. See “—Overview”.

PDO’s production stood at 65.5 mmbbl in the first three months of 2021. This reflects average production per day by PDO of 671,700 bbl/d in the first three months of 2021, as compared to 708,200 bbl/d for the year ended 31 December 2020 and 694,300 bbl/d for the year ended 31 December 2019. Production from other oil companies amounted to 20.4 mmbbl in the first three months of 2021, as compared to 88.7 mmbbl for the year ended 31 December 2020 and 101.0 mmbbl for the year ended 31 December 2019. Average daily production from other oil companies in the first three months of 2021 was 281,900 bbl/d, as compared to 242,500 bbl/d for the year ended 31 December 2020 and 276,600 bbl/d for the year ended 31 December 2019.

*Natural gas production*

There are two primary sources of gas: associated gas reserves and non-associated gas reserves. Non-associated gas reserves are developed primarily to produce natural gas, while associated gas is produced as a by-product of the production of crude oil. In certain instances, Oman practices flaring to dispose of waste or unusable gas in order to protect against putting too much pressure on plant equipment.

Until 1999, Oman’s non-associated gas was almost entirely produced from PDO’s Block 6. Associated gas production in Oman was less than 400 million cubic feet per day (“**mmcf/d**”) and sourced from PDO’s Yibal, Fahud and Lekhwair areas in the north of Block 6. The southern producing areas of Marmul and Nimr are characterised by relatively heavy oils with lower gas-oil ratios and, accordingly, have very limited associated gas reserves.

Since 1999, PDO has increased non-associated gas production volumes significantly, with the Qarn Alam fields (Saih Rawl, Barik and Saih Nihayda) brought onstream to supply Oman’s new LNG plants. More recently, other operators, including Occidental and PTTEP, have supplied small volumes of gas to the Government from their respective contract areas.

The following table sets forth total natural gas production in Oman by company by for each of the periods indicated.

	Year ended 31 December					Three months ended 31 March 2021*	
	2015	2016	2017	2018	2019*	2020	March 2021*
	(mcm)						
PDO (associated).....	5,332	5,370	5,088	6,324	6,501	6,109	1,771
PDO (non-associated).....	29,593	29,370	27,994	23,432	23,065	24,634	5,895
Other (associated).....	1,670	1,701	1,797	1,712	1,825	1,553	332
Other (non-associated).....	1,228	2,386	4,114	12,272	13,213	12,317	3,255
Associated Gas Sub-Total .....	7,002	7,071	6,885	8,036	8,325	8,662	2,103
Non-associated Gas Sub-Total .....	30,821	31,756	32,108	35,704	36,278	36,950	9,150
<b>Total.....</b>	<b>37,823</b>	<b>38,827</b>	<b>38,993</b>	<b>43,740</b>	<b>44,604</b>	<b>44,613</b>	<b>11,253</b>

Source: Ministry of Energy and Minerals.

**Note**

\* Preliminary.

The following table sets forth the average daily natural gas production in Oman by company for each of the periods indicated.

	Year ended 31 December					Three months ended 31 March 2021*	
	2015	2016	2017	2018	2019*	2020	March 2021*
	(mcm per day)						
PDO (associated).....	14.6	14.7	13.9	17.3	17.8	17	20
PDO (non-associated).....	81.1	80.2	76.7	64.2	63.2	67	65
Other (associated).....	4.6	4.7	5.0	4.7	5.0	4	4
Other (non-associated).....	3.4	6.5	11.3	33.6	36.2	34	36
Associated Gas Sub-Total .....	19.2	19.3	18.9	22.0	22.8	21	23
Non-associated Gas Sub-Total .....	84.4	86.8	88.0	97.8	99.4	101	102
<b>Total.....</b>	<b>103.6</b>	<b>106.1</b>	<b>106.8</b>	<b>119.8</b>	<b>122.2</b>	<b>122</b>	<b>125</b>

Source: Ministry of Energy and Minerals.

**Note**

\* Preliminary.

Total natural gas production in Oman was 11,253 mcm in the first three months of 2021. This represents an increase in average natural gas production per day to 125 mcm per day in the first three months of 2021 from 122 mcm per day in 2020.

PDO's production was 7,666 mcm in the first three months of 2021. This represents a slight increase in average natural gas production per day to 65 mcm in the first three months of 2021 from 67 mcm in 2020. Average daily production from other oil companies meanwhile increased in the first three months of 2021 to 36 mcm from 34 mcm in 2020.

The Government is entitled to 100% of the reserves of natural gas in the Block 6 concession area, and future natural gas sales are expected to continue to be supplied mainly by both PDO and BP Khazzan. With significant existing contracted LNG volumes and growing industrial and domestic gas markets, demand for gas in Oman is forecasted to continue to grow, and it is projected that PDO, even together with the current estimates of gas production from BP Khazzan phase 1, which came onstream in September 2017, will be unable to fully meet Oman's future gas demand without additional projects coming onstream. As a result, the Government is counting on growth from projects such as the extension development of the BP Khazzan gas field, which is anticipated to come onstream in early 2021, to ensure that the Government can continue to meet the country's gas demand and export obligations for the foreseeable future. BP is the operator of the block (Block 61) containing the Khazzan tight gas field and currently holds a 60% interest in the 2700 km<sup>2</sup> block, while Oman Oil holds the other 40%. In February 2021, BP agreed to sell 20% of its participating interest in Block 61 to PTT Exploration and Production Public Company Limited of Thailand. Following completion of the sale, BP will remain the operator of Block 61 and retain a 40% interest.

On 14 February 2016, BP and Oman Oil signed a heads of agreement with the Government committing to amend the EPSA for Block 61, extending the license area of the block and enabling the further development of the Khazzan tight

gas field. Under the amended EPSA, the extension is expected to add a further 1,000 km<sup>2</sup> to the south and west of the original Block 61. The extension is expected to allow a second phase of development, accessing additional resources in the area that have been identified by drilling activity within the original block. The first phase began production in September 2017 and is now producing 1.0 billion cubic feet per day (“**bcf/d**”) of gas. The two phases combined are expected to produce 1.5 bcf/d through the development of 10.5 tcf of recoverable gas resources. The second phase construction of a three-train central processing facility with associated gathering and export systems and drilling approximately 325 wells over a 15-year period has begun and is on schedule. The second phase is targeted to come onstream in early 2021.

In March 2018, PDO announced its discovery of significant reserves in the Mabrouk gas field, which is expected to yield more than four trillion cubic feet and 112 mmbbl of condensate. There are two separate gas fields and associated upstream projects, each with gas discoveries in deeper tight sandstone reservoirs: Mabrouk Deep Gas and Mabrouk NE Deep Gas. Mabrouk Deep Gas Field Development Project (“**FDP**”) is principally an upstream gas project, which is 100% owned by the Government and managed by PDO on behalf of the Government. As at the date of this Base Prospectus, options to utilise gas resources at Mabrouk are currently being considered by the Government and third parties, and these discussions are ongoing. Total is to set up an LNG Bunkering project in Sohar, while the upstream FDP is being executed by PDO with funding from Total. The Government will receive royalties, tax, volumes of gas and condensate and a portion of the sales from the downstream projects from these projects.

## ***Infrastructure***

### *Oil infrastructure*

#### Oil Pipelines

Oman’s highly developed oil infrastructure network is almost exclusively owned and operated by PDO and comprises approximately 2,200 km of oil pipelines, including main crude and inter-field oil and condensate pipelines. Oman has oil storage facilities at Mina Al Fahal with a capacity of approximately 4.8 mmbbl and two export single buoy moorings, which berth approximately 350 crude tankers on an annual basis. In addition, PDO operates four major oil pumping stations at Hubara, Sahmah, Qarn Alam and Nahada.

The oil pipeline network in Oman comprises one main pipeline system known as the Main Oil Line. The Main Oil Line extends from PDO’s southern fields, through the Qarn Alam area and includes sections of diameters between 6 and 42 inches depending on local and regional supply capacities. The section of the Main Oil Line that runs from Marmul to the Nahada Booster Station is known as the South Main Oil Line. At Nahada this joins another component of the Main Oil Line, which originates at Lekhwair and Yibal, and is known as the North Main Oil Line. The Main Oil Line segment from Nahada to Mina Al Fahal has a nominal export capacity of 994,000 bbl/d. Other onshore oil producers have pipelines connecting their fields to the Main Oil Line and pay a fixed tariff of U.S.\$1.00/bbl for the use of PDO’s oil export network.

Continued investment is planned by PDO to maintain the integrity of the oil pipeline network. Production increases in southern and central Oman have required additional pumps to be installed at the Qarn Alam Booster Station, which is a key oil hub. The Qarn Alam pumping station was upgraded in 2000, raising capacity by 100,000 bbl/d to 600,000 bbl/d.

#### Oil Terminals

Oman’s main oil terminal, Mina Al Fahal, is located near Muscat and the majority of the country’s crude is either exported or processed at the refinery for domestic use, with the exception of small volumes produced from DNO Block 8 West Bukha in Musandam which are planned to be exported from the new terminal nearby. The Mina Raysut port near Salalah has an oil pier with one dolphin berth for handling tankers of up to 45,000 dead weight tonnage.

### *Natural gas infrastructure*

#### Natural gas pipelines

Oman’s natural gas pipeline network was previously directly owned by the Government. In May 2018, the Government sold eight major pipelines to OQ Gas Networks S.A.O.C. (“**OQGN**”) for U.S.\$480 million to finance, in part, the budget deficit. OQGN is 100%-owned by the OQ Group (“**OQ**”). OQ is wholly-owned by the Government, through the OIA, and the Minister of Energy and Minerals serves as OQ’s chairman.

The natural gas pipeline network comprises approximately 2,500 km of gas pipelines. These include the main gas export pipeline to the LNG terminals at Qalhat near Sur, pipelines from Saih Rawl to Muscat, Sohar in the north and Salalah in

the south, inter-field pipelines and pipelines supplying associated gas for injection into the oil reservoirs of fields located in southern Oman.

The primary supply of gas in Oman comes from the northern and central producing regions within PDO's Block 6, namely Yibal, Fahud, Lekhwair and Qarn Alam. A major gas pipeline, known as the South Oman Gas Line, extends from the Saih Nihayda field in the Qarn Alam area to the Marmul fields in the south. This line is used to supply gas primarily for injection (for reservoir pressure maintenance), power generation and other local use.

The main 48-inch gas export pipeline runs from the Saih Rawl field in central Oman to the LNG plant on the coast. This pipeline was commissioned in 1999 and has a nominal capacity of 1,200 mmcf/d. In 2005, OQGN commissioned a 300 km, 32-inch pipeline from Fahud to Sohar, linking the Qarn Alam area gas fields to Sohar via Fahud. It was constructed to supply gas to the refinery and other large scale industrial projects such as the steel plant, aluminium smelter and fertiliser plant in the Sohar area. OQGN also commissioned a pipeline linking gas sources in central Oman with Salalah, where gas is intended be used to supply local domestic and industrial users. This pipeline has a diameter of 24 inches and a capacity of approximately 350 mmcf/d.

Iran and Oman were cooperating on certain gas pipeline and supply initiatives, although these are currently on hold due to regional political issues. These initiatives would aim to make Iranian natural gas available for use in domestic industrial projects, as well as for LNG export, on a per project basis.

### LNG terminals

Oman's LNG plant at Qalhat came onstream in 1999, with a capacity of 6.6 million tonnes *per annum* ("Mtpa"). A debottlenecking programme, completed in 2005, increased the plant's capacity to approximately 7.2 Mtpa. The plant consists of two process trains (each with 3.6 million tonnes of storage tank capacity), marine loading facilities and utility facilities. A third train, Qalhat, was brought onstream at the end of 2015. This train has a capacity of 3.5 Mtpa and is operated by Oman LNG (with a different equity structure from trains 1 and 2). Storage and loading facilities are shared between the two projects.

The Oman LNG plant has been running at full capacity since the first phase of the Khazzan gas project was brought on-line in September 2017. In anticipation of a further rise in gas production from Khazzan, Oman LNG began a debottlenecking programme in order to increase capacity at its three-train Qalhat terminal in 2018. The debottlenecking is expected to be completed in 2022 and is expected to add 1.2 Mtpa to the facility's current capacity.

### Gas Processing Plants

The five major gas processing plants in Oman are the following:

- The Government Gas Plant ("GGP") is situated at the Yibal field and processes gas from the Natih/Yibal, Amin and Mafrag gas reservoirs from several gas fields in the north of Oman with a capacity of 812 mmcf/d. The GGP came on-line in 1978. The existing Yibal GGP surface facilities are comprised of buried flow lines, inlet manifold, inlet separation facilities, third stage depletion compression facilities, inlet compression facilities, gas dehydration dew-pointing trains and gas metering facilities. The design capacity for the GGP facility is 812 mmcf/d on a water dry basis. It has five trains for treatment of the gas before export. The feed streams of the GGP are comprised of Yibal non-associated gas, Yibal associated gas, Fahud West, Haban, Maqhouh South, Thumayd, Fahud South West, Government Gas Plant at Lekhwair, Khulud Natih, Khulud Amin, AlBashair and Al-Huwaisah. Recent upgrades include the Y3DC project, which was commissioned in March 2016 to reduce the GGP inlet pressure from 20 bar to 8 bar and hence enable the field to fulfil its gas supply commitment. In addition, the Y4DC project is planned to increase the reserves by 3,000 mcm and is planned to be completed by 2024. Thereafter, the Y5DC project (depletion compression to 1 bar) is planned to further increase reserves by 8,000 mcm. Sales gas is exported to customers through the 28-inch GGS (North Oman Gas Distribution Pipeline Network) whilst the liquids (condensate and water) are transported to Yibal A Oil Station. Currently the GGP is processing approximately 20 mcm/d of gas.
- The Saih Nihayda Gas Plant ("SNGP"), designed to process approximately 706 mmcf/d (20 mcm/d) of non-associated gas from the Saih Niyada (Barik, Miqrat and Amin reservoirs) and Shuaiba fields. The plant was commissioned in 2005 at Saih Nihayda. The capacity of the SNGP was increased in 2010 to 875 mmcf/d from 25 mcm/d. The plant and its associated wells increased PDO's gas supply capacity by about 30% at the time it was constructed. The commissioning of the 48-inch gas pipeline to Sur was also completed in 2005. A mid-way booster station was built at block valve station 5 (BVS—5) on the 48-inch pipeline to Qalhat. In 2009, the Middle Gharif Reservoir was connected to the station, followed by Burhan West Field (Barik, Miqrat and Amin

reservoirs) in 2010. Saih Nihayda North was added in 2015. Currently SNGP is processing approximately 19 mcm/d of gas.

- The Central Processing Plant (“**CPP**”) is located at Saih Rawl field, in central Oman. The CPP is reserved exclusively for Oman LNG, while the plants at Yibal and Saih Nihayda process gas for domestic consumption. CPP delivered first gas from the Saih Rawl and Barik fields in 1999, Saih Rawl South, Mabrouk Shallow and Mabrouk Deep were introduced in 2007, 2008 and 2013 respectively. CPP is also the main condensate processing plant for the SNGP, the Kauther Gas Plant and the Saih Rawl fields. In 2009, four depletion compressors were installed to reduce the arrival pressure from 90 bar to 35 bar with total throughput capacity of 48 mcm/d. The second stage compression, designed to reduce the CPP inlet pressure from 35 bar to 13 bar with total capacity of 30 mcm/d, was commissioned in March 2016. Currently the CPP is processing approximately 38 mcm/d of gas and approximately 70 kbbbl/d of condensate.
- The Kauther Gas Plant (“**KGP**”), designed to process approximately 706 mmcf/d (20 mcm/d) of non-associated wet gas and approximately 138 kbbbl/d (22,000 m<sup>3</sup>/day) of live condensate from Kauther, Fakhar, Harmal and close by third party fields. KGP was commissioned in 2007 at Kauther. KGP supplies export gas to the Government gas supply and the condensate is exported to the CPP for further processing. In 2012, two depletion compressors were installed with a total capacity of 460 mmcf/d (13 mcm/day) of non-associated wet gas to sustain the gas and condensate production. Currently KGP is processing approximately 9 mcm/d of gas.
- The Government Gas Plant at Lekhwair (“**GGL**”) was commissioned in 2014 at Lekhwair, located approximately 130 km to the North West of Fahud. GGL processes the non-associated gas reservoir below the existing oil producing reservoir in Lekhwair field. The plant is designed to export approximately 100 mmcf/d of treated gas (~3 mcm/d). The processed dry gas is then evacuated from the GGL to the GGP through a 110 km, 16-inch pipeline. The condensate from the GGL is sent to Lekhwair oil station. Currently GGL is processing approximately 2.5 mcm/d of gas.
- In addition, production at the Salalah LPG Extraction Project (the “**Salalah Project**”) is likely to begin in 2021. The Salalah Project’s aim is to extract the propane, butane and condensate associated with the natural gas pipeline from the Salalah area. It is one of the most ambitious projects in Dhofar and is the result of the efforts of the OQGN to find ways to optimise the added value of the gas supply chain. The analysis for the Salalah Project deemed a location in the Salalah Free Zone the most suitable and the idea for the project was conceptualised in 2012. In May 2021, OG announced the commissioning of the LPG facility, which is the final technical requirement before the facility starts commercial operations. The facility comprises an extraction plant, a fractionation facility, storage tanks, shipping facilities and an interconnection pipeline system. Once operational, the plant’s production is expected to reach a total of 300,000 metric tonnes per annum.

In addition to the operating gas processing plants, the following projects are underway:

- An agreement between BP and the Omani Government was signed in 2013 to build a plant to process natural gas that is expected to be produced from BP’s tight gas Khazzan fields in Block 61. The Phase 1 project was sanctioned in December 2013 and began production in September 2017. As discussed above, in February 2016, BP and Oman Oil signed a heads of agreement to extend the licence and develop further the major Khazzan tight gas field. The new Khazzan Phase 2 project has begun and came onstream in early 2021. The first phase that began production in September 2017 is now producing 10 bcf/d of gas. The two phases combined are expected to produce 1.5 bcf/d through the development of 10.5 tcf of recoverable gas resources, equivalent to approximately 40% of Oman’s current total domestic gas production. The second phase construction of a three-train central processing facility with associated gathering and export systems and drilling approximately 325 wells over a 15-year period has begun and is on schedule.
- In 2014, the Musandam Power Company (“**MPC**”), a majority owned subsidiary of OQ, was established as Oman’s first independent power producer in the Musandam Governorate as a joint venture between OQ (70%) and LG International Corp (30%). By August 2015, MPC signed three major agreements (a project finance agreement in July 2015, a power purchase agreement in April 2015 and a natural gas sales agreement in July 2015), with financial institutions, including Bank Muscat, and agencies to support the implementation of the Musandam IPP with 120 MW capacity. The plant was commissioned in November 2017 and is fully operational.

### Oman Gas Company

In 2000, the Ministry of Energy and Minerals transferred the majority of the ownership of the Omani northern gas transportation system to a newly-formed company, OQGN. OQGN has since taken ownership of some of the gas pipeline network from PDO, although the gas is still wholly-owned by the Government. In 2013, OQGN became a wholly-owned



subsidiary of OQ, prior to which, it was a closed joint stock company owned by the Ministry of Energy and Minerals (holding 80% of the shares) and OQ (holding the remaining 20%).

The OQGN concession agreement runs until 2027, after which all OQGN assets will be returned to the Government at no cost. Under the concession agreement, OQGN operates and maintains the gas pipeline network including any newly built pipelines. OQGN does not own any gas volumes and only transports gas to different customers based on directions from the Ministry of Energy and Minerals.

### ***Refining and marketing activities***

There are two refineries currently operating in Oman, namely the Mina Al Fahal refinery and the Sohar refinery. The Ministry of Energy and Minerals restructured its refinery sector by merging the Sohar Refinery Company with the Mina al Falal refinery in order to reduce costs. The new company was launched as OQ Refineries and Petroleum Industries L.L.C. (“**OQRPI**”).

In December 2018, the Oman Oil Company (“**OOC**”) and OQRPI announced the merger of their downstream businesses, which is expected to lead to cost savings from improvement in efficiency and synergy between the two organisations. As part of their integration, OOC and OQRPI have embarked on a new initiative, the NAKHLA Programme, which aims to grow and generate greater value from OOC and OQRPI’s collective business through leveraging their combined capabilities. In December 2019, OOC and OQRPI announced the integration of nine core businesses under the OQ Group. See “—*The OQ Group (OQ)*”.

#### *Mina Al Fahal refinery*

The Mina Al Fahal refinery was brought online in 1982, with a capacity of 50,000 bbl/d. The plant’s capacity was upgraded to 80,000 bbl/d in 1987. Following the installation of a continuous catalytic generator in 1993, the refinery is capable of producing unleaded petrol. Between 2005 and early 2007, the refinery was refurbished and capacity was upgraded to 106,000 bbl/d at a total cost of U.S.\$320 million. Over the last 10 years, the Mina Al Fahal refinery has operated at close to its nominal capacity; it receives the vast majority of its supply from the Ministry of Energy and Minerals.

#### *Sohar refinery*

The Sohar refinery was constructed by the Sohar Refinery Company, a joint venture between the Government and OOC, at a cost of U.S.\$1.25 billion and was brought online in October 2006. The refinery processes residual fuel oil from the Mina Al Fahal plant to produce petrol, and consists of, among other units, a residue fluid catalytic cracker. The plant has a capacity of 197,648 bbl/d, of which 70% is supplied to the domestic market and the rest exported. Oman Trading International, Oman’s international oils and petrochemicals marketing company, acquires the export product.

The Sohar Refinery Improvement Project (“**SRIP**”) is a multibillion-Dollar capital investment by OQRPI that came online in early 2017. The project is intended to upgrade Oman’s refining capability in order to further maximise the value of Omani crude oil. At the same time, SRIP is intended to significantly improve environmental performance on the back of the recent progress made through OQRPI’s Environmental Improvement Programme. Environmental permits for SRIP were issued in July 2013, and land agreements were finalised in August 2013 for a plot adjacent to the Sohar Refinery.

Following SRIP coming onstream in late 2016, production of fuels, naphtha and propylene increased by 70%, satisfying the increased domestic fuel demand, which has grown by 10% annually over the past five years. Following the completion of SRIP in December 2017, OQRPI’s fuels production is projected to increase by 4 Mtpa, with overall production levels having reached 9 Mtpa in 2016. Approximately 70% of the refinery’s production is supplied to the domestic market.

The Muscat Sohar Pipeline Project (“**MSPP**”) was completed in March 2018 and connects the Mina Al Fahal and Sohar refineries by means of a 280-km pipeline to an intermediate distribution and storage facility at Jifnain, as well as a new storage facility at Muscat International Airport, which is intended to receive aviation fuel directly from the pipeline. MSPP is a two-way multi-product pipeline that is intended to remove the need for OQRPI to ship and truck refined products. The pipeline is designed to bring a new level of efficiency and lower costs to OQRPI’s business, as well as reduce the number of fuel-tank truck journeys in and approximately Muscat. Heavy fuel-tank truck traffic in Muscat is projected to drop by 70%.

In addition, Liwa Plastics Industries Complex (“**LPIC**”) is a steam cracker project that is intended to process light ends such as butane, propane and gasoline produced in the Sohar refinery and aromatics plant as well as optimise natural gas liquids extracted from currently available natural gas supplies. LPIC is expected to re-route elements of existing production to be combined with additional purchased feedstocks to deliver high value polymer products for the local and

international marketplaces. LPIC's primary goal is to further increase the value that can be derived from Omani crude oil and natural gas production within the country. LPIC is also expected to have a positive impact on the local economy and employment, particularly in constructions and operations.

### *Duqm refinery*

OOC is currently planning and implementing a development project in the Special Economic Zone of Duqm ("SEZAD"), on Oman's eastern coast, for which investments of up to U.S.\$14 billion have been earmarked for petrochemicals and infrastructure development through 2031. On completion of the Duqm refinery project, it is expected to have the capacity to refine 230,000 bbl of crude oil per day using various blends. Diesel, jet fuel, naphtha and liquefied petroleum gas (e.g., ethane, propane, butane, etc.) will be the main products of the refinery.

Recent studies indicate that during peak construction phase, the Duqm refinery project is expected to add an additional 8% to Oman's GDP, while creating 20,000 direct and indirect jobs. The development project has been designed to host petroleum and metals projects and will be supported by the development of Duqm port and other related infrastructure. OOC is leading the development of a number of large-scale projects in SEZAD and intends to use these projects as a catalyst for Duqm's planned transformation into one of the largest industrial and economic hubs in the region. The flagship project is planned to be an integrated refinery and petrochemical complex, which will be developed with one or more international partners. These projects are intended to be one of the largest employers in Oman. Occupying a land area of 1,745 km<sup>2</sup> and 70 km of coastline along the Arabian Sea, the SEZAD is intended to be one of the largest developments of its kind in the MENA region.

Significant investments have already been made by the Government to expand Duqm's infrastructure, including a new international airport, a new dry dock/quay, hotels and dual carriage roads. Phase 1 of the SEZAD is under development and includes a refinery, a product export terminal, centralised utilities, a crude terminal and a crude pipeline. Phase 2, which remains under study, contemplates a petrochemicals complex, enhancements to the crude terminal, a steel complex, petcoke and sulphur utilisation facilities and alternative energy and coal power projects. In 2016, an agreement was reached in connection with the development of the Chinese industrial park in Duqm with Oman Wanfang LLC, which is owned by the Chinese government, and other Chinese investors. Per this agreement, the development of the industrial park is to be carried out, together with other Chinese investors and companies, in multiple phases. The total investment is expected to be up to U.S.\$10 billion by 2022, to be funded generally on a project-by-project basis with other investors.

### *Omani Blend*

Omani crude is one of the few Middle Eastern crudes to be freely traded on the spot and futures market, as operators are permitted by the Ministry of Energy and Minerals to re-sell their crude. Prior to November 2001, the price of Oman's single export blend ("**Omani Blend**") was fixed on a monthly basis at a differential to Dubai crude. Most of the Omani Blend transactions were done on a forward basis one to three months out.

As of November 2001, partly as a result of the decline in Dubai crude cargoes, the basis for assessing daily spot prices of Dubai crude was changed to allow Omani Blend crude, comparable to Dubai, to be delivered into Dubai contracts. In November 2006, Oman's Ministry of Energy and Minerals and the Dubai Mercantile Exchange Limited ("**DME**") announced that Oman would adopt forward pricing of its crude oil based on the daily settlement price of the DME's Oman Crude Oil Futures Contract. By adopting this pricing mechanism (through an exchange), Oman became the first country in the region to take this step in pricing its crude through a transparent and regulated exchange system. This helped Omani Blend to become a benchmark crude in the region (along with Dubai). DME Oman is now one of three leading global crude oil benchmarks and sets the benchmark export price for crude oil produced in Oman and Dubai.

The following table sets forth the average prices for Omani Blend crude for each of the periods indicated.

	Year ended 31 December					
	2015	2016	2017	2018	2019	2020
	(U.S.\$/bbl)					
January .....	78.2	42.3	44.5	60.8	66.3	62.8
February .....	61.0	34.6	52.7	61.6	57.3	65.5
March .....	46.7	27.4	53.9	66.3	59.4	64.9
April .....	56.2	30.2	55.1	63.0	64.5	54.6
May .....	55.0	36.3	51.7	63.3	67.0	34.9
June .....	58.7	39.4	52.8	68.3	71.2	23.7
July .....	63.6	44.3	50.6	74.4	70.0	33.7
August .....	61.8	46.6	46.5	73.6	61.7	41.6
September .....	56.3	43.4	47.6	73.2	63.9	43.6
October .....	47.8	44.0	50.4	72.6	59.7	44.3
November .....	45.7	43.9	54.0	78.7	61.8	41.6
December .....	46.0	49.1	55.6	80.2	60.3	41.1
<b>Average for the year .....</b>	<b>56.4</b>	<b>40.1</b>	<b>51.3</b>	<b>69.7</b>	<b>63.6</b>	<b>46.0</b>

Source: Ministry of Energy and Minerals.

### Oil Exports

Exports of crude oil from Oman increased in 2016 despite the increasing use of domestic refineries, and crude oil exports increased in 2017, 2018 and 2019. All exports outlined below are net of supply to domestic refineries. The following table sets forth the exports of Omani oil and condensates for the periods indicated.

	Year ended 31 December						Three months ended 31 March 2021*
	2015	2016	2017	2018	2019*	2020*	
	(mmbbl)						
Total exports.....	308.1	321.9	294.2	289.3	310.3	306.6	69.2

Source: National Centre for Statistics and Information.

#### Note

\* Preliminary.

The following table sets forth the exports of Omani Blend oil and condensates by importing country for the periods indicated.

	Year ended 31 December						Three months ended 31 March 2021*
	2015	2016	2017	2018	2019	2020*	
	(mmbbl)						
China .....	237.6	251.1	226.3	240.4	243.3	258.5	58.8
Taiwan.....	27.8	18.8	0.0	0.0	—	7.4	—
Singapore.....	10.0	3.6	1.5	0.0	—	—	0.3
Japan.....	9.6	14.2	10.6	16.9	23.3	3.6	—
Thailand.....	9.4	0.4	0.0	0.5	0.5	—	—
South Korea.....	5.9	10.6	8.8	1.0	10.5	5.0	1.0
India.....	4.6	4.5	28.2	21.9	14.8	20.3	8.4
Sri Lanka .....	1.4	0.0	—	0.0	—	—	—
Other countries .....	1.8	18.2	18.8	8.6	17.9	11.8	0.7
<b>Total.....</b>	<b>308.1</b>	<b>321.4</b>	<b>294.2</b>	<b>289.3</b>	<b>310.3</b>	<b>306.6</b>	<b>69.2</b>

Source: National Centre for Statistics and Information.

#### Note

\* Preliminary.

## The OQ Group (OQ)

The OQ Group is wholly-owned by the Government through the Oman Investment Authority (OIA) and is Oman's leading integrated energy group with core businesses operating across the oil and gas value chain. OQ was established in 1996 to pursue investment opportunities in the energy sector both inside and outside Oman. In September 2019, but with effect from 1 January 2019, the Government transferred to OQ the 75% of the share capital of OQ Refineries and Petroleum Industries L.L.C. (OQRPI) which it did not already own for the integration of OQRPI with OQ and its core subsidiaries (including OQ Exploration and Production LLC ("**OQEP**"), OQ Gas Networks S.A.O.C. (OQGN), OQ Chemicals, OQ Trading, OQ Methanol and Oman Oil Marketing Company S.A.O.G. ("**OOMCO**")). By centralising Oman's oil and gas investments under a single integrated group with a single leadership team, the intention is to create a national champion with enhanced investment, project development and delivery, operational excellence, and marketing and financing capabilities, thereby creating a platform for sustainable growth centred around a strong integrated energy company.

The OQ Group's core businesses operate in two principal integrated business streams:

- upstream, comprising:
  - oil and gas exploration, development and production through OQEP; and
  - gas transportation throughout Oman through OQGN; and
- downstream, principally comprising:
  - oil refining and the manufacture of a range of petrochemicals currently through OQRPI and, in the future, through a new refinery operated by Duqm Refinery and Petrochemical Industries Company LLC ("**DRPIC**") as well;
  - the manufacture of a range of specialty chemical products (principally Oxo intermediates and derivatives) through OQ Chemicals;
  - significant trading operations relating to crude oil, refined products, petrochemical products, LNG and dry bulk (principally petroleum coke and sulphur) through OQ Trading;
  - the manufacture of methanol from a world-scale plant in south Oman through OQ Methanol; and
  - retail and commercial fuel and related product distribution, principally in Oman through OOMCO.

The OQ Group's total assets amounted to OMR 9.9 billion as at 31 December 2020. In 2020, the OQ Group generated Adjusted EBITDA of OMR 563.4 million and a loss for the year of OMR 1,717 million. The OQ Group's core upstream activities contributed 83.3% of its Adjusted EBITDA in 2020 and positive 1.6% of its loss for the year in 2020, most of which was attributable to oil and gas exploration, development and production. The OQ Group's downstream activities contributed 7% of its Adjusted EBITDA and 97.5% of its loss for the year in 2020, with oil refining and petrochemical production accounting for 82.6% of its loss for the year 2020 and OQ Trading accounting for positive 2.0% of its loss and 8.1% of the OQ Group's Adjusted EBITDA in 2020. The OQ Group also has a portfolio of 27 non-core assets, comprising subsidiaries, associates and FVTPL investments, as well as a few holding and SPV entities of the OQ Group. The OQ Group's non-core assets accounted for 9.7% of its Adjusted EBITDA in 2020.

The OQ Group is investing significantly in its upstream oil and gas businesses and also has a number of significant downstream projects under development. These projects include:

- a new oil refinery and associated facilities under construction in Duqm as part of a joint venture with Kuwait Petroleum (Europe) B.V. ("**KPE**"), a wholly owned subsidiary of Kuwait Petroleum Corporation, the national oil company of Kuwait;
- a petrochemical complex nearing completion at Liwa and an NGL plant at Fahud and associated NGL pipeline to the Liwa petrochemical plant undergoing pre-commissioning activities;
- an expansion of its methanol plant to enable the production of ammonia;
- an LPG project to extract various components of LPG, such as propane, butane and condensate, from natural gas in the Salalah region which is nearing completion; and

- two projects being undertaken by OQ Chemicals: the construction of a sixth carboxylic acid unit and an additional TCD Alcohol production line.

OQ has been assigned a rating of BB- with a negative outlook by Fitch.

## **Integration**

In February 2019, the Board approved the OQ Group's integration strategy. To date, the integration has focused on integrating the nine core OQ Group entities listed below, many of which make significant contributions to the OQ Group's Adjusted EBITDA, by organising the core activities conducted by these entities through an integrated management structure focusing on management, assets and value streams across the value chain. These nine entities represented 74.1% of the OQ Group's profit and 88.1% of the OQ Group's Adjusted EBITDA in 2019 and were selected because of their potential for unlocking value and their relative ease of integration.

In addition, as part of the integration, OQ established four separate functions which provide support across the integrated OQ Group:

- **commercial**, which combines the trading operations of OQ Trading, OOMCO's established retail and commercial fuel and related product business, the hydro-carbon supply chain management and marketing functions of OQRPI and OQ Chemicals' marketing function and manages supply and trading, global planning and performance chemicals across the integrated core companies;
- **finance and strategy**, which is responsible for finance, treasury, corporate planning, legal, strategy, procurement and asset management across the integrated core companies;
- **people, technology and culture**, which is responsible for human resources, communications and branding, sustainability, administration, digitalisation, IT and business improvement across the integrated core companies; and
- **projects**, which is responsible for health and safety, security and the environment, research and development, innovation and project delivery across the integrated core companies.

## **The OQ Group's Core Businesses**

The OQ Group's core businesses are focussed on upstream oil and gas exploration, development and production and gas transportation in Oman and downstream oil refining and petrochemical and specialty chemical production. In addition, the OQ Group has a significant oil, petroleum product and petrochemical trading business.

### *Core upstream businesses*

The OQ Group has two core upstream businesses: (i) oil and gas exploration, development and production and (ii) gas transportation in Oman. Each of these businesses is described below.

### *Oil and gas exploration, development and production*

The OQ Group's oil and gas exploration, development and production business is conducted by OQEP and comprises:

- participating interests in four producing blocks in Oman: Block 9, Block 53 (Mukhaizna), Block 60 (Abu Tubul) and Block 61;
- a participating interest in the producing Dunga field in Kazakhstan;
- service contracts in relation to two producing assets in Oman, the Rima and Karim small fields, and a service contract with the Government in relation to Block 8; and
- six exploration assets, Blocks 30, 42, 47, 48, 52 and 65 in Oman.

## ***Gas transportation***

### ***Introduction***

OQGN is the exclusive operator and owner of Oman's gas transportation system. Under its concession, OQGN has the exclusive concession to own and operate a system of pipelines, metering, compressor and gas supply stations.

Since 2018, OQGN has been operating in accordance with an Amended Concession Agreement which was approved by Royal Decree № 122/2020 and granted a new 50-year concession giving OQGN the exclusive rights within Oman to own and operate a system of pipelines, metering, compressor and gas supply stations under a new revenue framework, based on the internationally recognised regulatory asset base (RAB) framework. Authority for Public Services Regulation (formerly known as Authority for Electricity Regulations, Oman) "the Regulator" is the Regulator for the gas transportation system.

OQGN transports natural gas to customers through approximately 4,000 km of gas pipelines, almost all of which operate at high pressure. In 2020, OQGN transported 35.1 billion scm of gas in Oman. OQGN plays a critical role in the Omani economy, ensuring the transportation of gas to essential industrial sectors, including power and desalination plants, oil and other industrial operations (including refineries and petrochemical, fertiliser, steel and cement plants).

### ***Business operations***

OQGN has six regional operations offices, located in Mabellah, Sohar, Fahud, Nimr, Sur and Salalah. These offices are responsible for all asset inspections and asset operations and maintenance activities in their region, as well as technical and end-user support. OQGN has also recently commenced operations in Duqm through a new gas pipeline that will supply the Duqm refinery when it is completed. The new pipeline was commissioned in January 2020 and the gas supply station was commissioned in December 2020.

In Oman, natural gas produced is typically required to be sold to the Government in accordance with the terms of the relevant production licence granted. The Government has been consistently incentivising the exploration of gas in Oman by providing a stable, predictable gas price framework for the gas which it purchases from the producers. Reflecting this, currently, OQGN's only shipper of gas is the MOEM. In each of 2018, 2019 and 2020, the MOEM booked 24 billion scm, 46 billion scm and 43 billion scm of capacity, with the significant increase in 2019 principally reflecting the transfer of transportation assets to OQGN from the Government.

As at 31 December 2020, OQGN transported natural gas to 59 connected parties in Oman across various industries including refineries, petrochemical plants, power plants, desalination plants, fertiliser plants, cement plants and manufacturing facilities, among others. OQGN's connected parties are currently primarily located in the Sohar, Muscat, Sur, Mukhaizna and Salalah areas. All gas transportation is undertaken in accordance with OQGN's terms and conditions for its transportation services, which, among other matters, provide that if OQGN fails to make gas available for offtake due to its fault it shall be liable for the value of the aggregate shortfall gas subject to an aggregate liability cap of OMR 3.5 million in any single contract year. To date, no penalties have been applied in this regard by the Regulator.

### ***Core downstream businesses***

The OQ Group has six core downstream businesses:

- refining and petrochemicals production through two operating refineries and an associated petrochemicals complex, as well as a new refinery under construction as part of a joint venture with KPE and a significant new petrochemicals plant project, which is nearing completion;
- specialty chemicals production through six facilities in Europe, North America and China;
- trading of crude oil, refined products, petrochemicals, LNG and dry bulk;
- retail and commercial fuel and related product distribution;
- methanol production with an associated expansion project to produce ammonia; and
- an LNG project which is nearing completion.

Each of these businesses is described further below.

The downstream oil and gas industry is competitive. The Group is currently the only refining business in Oman and supplies all of Oman's domestic petroleum products. Accordingly, the Group is not currently subject to competition in Oman in relation to these sales.

#### *Refining and petrochemical production*

The OQ Group's refining and petrochemical business is principally conducted by OQRPI, which is one of the largest downstream companies in Oman, measured by assets. The Group is also, through DRPIC, a joint venture with KPE, undertaking a new refinery project which is under construction. See "*Duqm Refinery project*" below.

#### *Existing refining and petrochemicals business*

OQRPI owns and operates both of Oman's existing refineries and the only aromatic and polypropylene plants in Oman. It is also the only domestic supplier of refined petroleum products in Oman and also produces all of the paraxylene, benzene and polypropylene produced in Oman. Since 1 January 2019, OQRPI has been wholly-owned by OQ.

OQRPI's principal operating assets are:

- the Mina Al-Fahal refinery at Muscat, which commenced operations in 1982 with a total feedstock capacity of 106,000 bpd. The Mina Al-Fahal refinery produces a range of refined petroleum products, including LPG, gasoline (also known as Mogas), jet fuel and gas oil (also known as red diesel), and also produces long residue which is blended with crude oil and transported as a feedstock to the Group's Sohar refinery by pipeline;
- the Sohar refinery at Sohar, which commenced operations in 2006. with a total feedstock capacity of 197,648 bpd. The Sohar refinery produces LPG, gasoline, jet fuel and gas oil, among other products;
- a polypropylene plant, located adjacent to the Sohar refinery, which utilises propylene produced by the Sohar refinery to produce polypropylene with an annual production capacity of 340,000 MT.; and
- an aromatics plant, also located adjacent to the Sohar refinery, which utilises naphtha produced in the Sohar refinery as well as imported naphtha to produce paraxylene and benzene. with an annual production capacity of paraxylene of 818,000 MT and an annual production capacity of benzene of 198,000 MT.

OQRPI also has fuel products storage and distribution facilities at Jifnain, Sohar and Raysut. The Jifnain terminal is connected to the Mina Al-Fahal and Sohar refineries through a multi-product two-way pipeline. The Jifnain terminal has a total storage capacity of 172,000 m<sup>3</sup>. The Raysut depot is the main storage facility for the Dhofar region and is a sea-fed depot with supplies coming by ship from the Mina Al-Fahal and Sohar refineries. The Raysut depot has a storage capacity of 35,000 m<sup>3</sup>. The Sohar depot is within the Sohar Refinery complex and has a storage capacity of 13,000 m<sup>3</sup> and predominately supplies Northern Batinah, Al Buraimi, Al Dhahirah and Musandam.

As the owner and manager of both of Oman's operating refineries and two associated petrochemical plants, OQRPI is of critical importance to the country's oil-based economy. OQRPI has in the past received, and continues to receive, substantial Government investment and support, including liquidity provision through its historic practice of deferring payment under its crude oil supply arrangements with the MOEM when required (which management believes is likely to continue), and substantial financial support in implementing the major capital projects referred to below. The Government, when it was the owner of OQRPI, historically provided the necessary financial support to OQRPI to enable it to continue its operations and meet its obligations as they fall due.

OQRPI has recently completed two significant projects and a third significant project is nearing completion:

- the Sohar refinery improvement project, which was completed in January 2019, involved an 82,000 bpd feedstock distillation processing capacity expansion at the Sohar refinery and an increase in the refinery's complexity (as measured by the Nelson complexity index) in order to enhance production of high value light and middle distillates. The project has eliminated production capacity bottlenecks and significantly increased the yields for key products such as diesel, gasoline, jet fuel, LPG, naphtha and propylene. The total project cost was U.S.\$2.7 billion, which was financed by a combination of U.S.\$1,745 million of debt and U.S.\$938 million of equity. To facilitate the financing of the project, the Government, through the Ministry of Finance and OQ, provided guarantees and indemnities in respect of OQRPI's obligations to fund base and contingent equity in an aggregate amount of U.S.\$1.1 billion;
- the Muscat-Sohar products pipeline project, which involved the construction of (i) a 290km two-way multi-product pipeline between Muscat and Sohar for the transportation of refined products produced at both refineries and (ii) a

storage terminal at Jifnain, north of Muscat. The total project cost was U.S.\$346 million; and

- the Liwa Plastic Industries Complex (LPIC) project, which involves the construction of a new petrochemicals plant which includes a steam cracker, a downstream polypropylene plant and two downstream polyethylene plants within the Sohar Industrial Port Area attached to the existing OQRPI plants. The project also includes the construction of an NGL extraction plant at Fahud in central Oman, and a pipeline connection between this plant and the new petrochemicals plant. The LPIC project is intended to enable the production of 880,000 MT a year of polyethylene, and 300,000 MT a year of polypropylene in various grades ranging from HDPE to LLDPE. The project is currently expected to be completed and fully commissioned in 2021. The total estimated project cost is U.S.\$7.0 billion, which is being funded by a combination of U.S.\$3.8 billion of project financed debt, U.S.\$454 million in pre-completion revenues and the balance in equity provided by OQRPI. As at 31 December 2020, U.S.\$6.0 billion had been invested. To facilitate the financing of the LPIC project, the Government issued a debt service undertaking under which it has fully guaranteed all payments due by OQRPI under the financing documentation up to the completion date, amounting in total to U.S.\$3.8 billion, and has agreed that part of the payments to be made by OQRPI to the MOEM for the gas supply to the LPIC project that will be required when the project becomes operational will be subordinated to the project lenders.

OQRPI's vision is to be a recognised and competitive participant in the global polymers market, providing complete value solutions to its existing and new customers and running one of the most integrated oil refining and petrochemical facilities in the world, comprising two refineries, an aromatics plant, an NGL extraction plant, a steam cracker, a downstream polypropylene plant and two downstream polyethylene plants.

### *Duqm Refinery project*

#### Overview

DRPIC is a limited liability company that was established in 2012 under Omani law to develop, construct, own and operate an export refinery project to be strategically located within the Special Economic Zone at Duqm (the “**SEZAD**”) on the south eastern coast of Oman (the “**Duqm Refinery project**”).

The Duqm Refinery project is located at three sites within the SEZAD. A refinery complex, on-site utilities, infrastructure and storage (the “**Refinery**”) and a product export terminal located at the Port of Duqm (the “**Export Terminal**”) are being constructed on two separate Duqm sites. In addition, a crude storage facility is being constructed by DRPIC at the Ras Markaz crude oil terminal, which is being developed by Oman Tank Terminal Company LLC (“**OTTTCO**”), a wholly-owned subsidiary of OQ Group, and is 80 km from the Refinery site. A pipeline is also being constructed to transport crude oil from the crude storage facility to the Refinery.

DRPIC is jointly owned by OQ and KPE. DRPIC has a six member board of directors, three of which are appointed by OQ and three of which are appointed by KPE. Each shareholder is entitled to appoint either the chairman or the deputy chairman of the board on a three-year rotation basis. The current sitting chairman was appointed by KPE and the current sitting deputy chairman by OQ.

The Duqm Refinery project involves the construction of a refinery and related facilities planned by the Group. The Duqm Refinery project is a priority for the Government, aims to support the growth and diversification of the Omani economy and represents one of Oman's most significant undertakings to date in the energy field. It will be one of the first major industrial projects of the SEZAD and will serve as the cornerstone of Duqm's transformation into Oman's next industrial and economic hub (following the success of the Sohar and Salalah free zones).

As at 25 December 2020, the overall progress achieved on the Duqm Refinery project was 76.7%, where the engineering progress achieved was 99.3% and the procurement progress achieved was 94.7%. The construction progress achieved was 62.1% as at 25 December 2020. The total estimated cost of the Duqm Refinery Project is U.S.\$8.3 billion which is being financed by a combination of debt and equity, with a debt to equity ratio of 55:45. As at 25 December 2020, the Duqm Refinery Project had achieved 93.7 million safe man-hours without a lost time injury. Construction of the Duqm refinery project is currently expected to be completed in 2022.

#### Refinery

The Refinery has been designed to have the capacity to process 230,000 bpd of a range of blended crude oils and is being configured as a full-conversion hydrocracker/coking facility. It is expected to have an operational life of at least 25 years and to utilise advanced technology, commercially proven at the scale of the Duqm Project, supplied by leading technology licensors.



The Refinery is designed to produce diesel and jet fuel/kerosene meeting international specifications (Euro V and Jet A-1 respectively) as its primary products, plus naphtha and LPG with no fuel oil production in normal operations and with the flexibility to maximise diesel or jet fuel production.

The Refinery site is strategically located outside the Straits of Hormuz to export refined products to Europe, Africa and the Far East.

The crude storage facility, which is substantially complete, comprises eight crude oil tanks where crude oil will be received and stored before being transported through a newly constructed pipeline to the Refinery.

The export terminal being constructed at the Port of Duqm comprises storage tanks for diesel, jet fuel and naphtha liquid products, as well as storage for sulphur and petroleum coke, plus loading pumps, marine loading arms and berths for product loading and export.

DRPIC will operate the Refinery and the crude pipeline and the OQ Group's current intention is that OTTCO will operate the crude storage facility and/or the export terminal.

#### *Specialty chemicals production*

Based on the 2018 IHS report on Oxo chemicals, OQ Chemicals is the world's leading Oxo merchant producer and the second largest manufacturer of Oxo chemicals globally as measured by production capacity, with an estimated total volume of over 1.4 million MT *per annum*. OQ Chemicals has more than 80 years' experience in the production of Oxo chemicals, built upon processes originally invented by predecessor companies. This experience has enabled OQ Chemicals to develop core competencies and proprietary technologies across its entire Oxo chemicals value chain.

In 2020, OQ Chemicals generated annual sales revenue of U.S.\$1.2 billion with a total volume of 942 thousand MT of products sold. OQ Chemicals is a wholly-owned OQ Group subsidiary with an independent board and is financed from a combination of its own cash flows and debt facilities provided by international banks and investor groups supplemented with a shareholder loan provided by OQ.

OQ Chemicals was formed in March 2007 as a buyout of Oxo derivatives and Oxo intermediates businesses from two international chemical companies, Celanese and Degussa (now known as Evonik). It has been a wholly-owned OQ Group company since December 2013.

OQ Chemicals' product offering consists of more than 70 products that it provides to customers in a wide range of industries for varied end market applications, including construction, automotive, consumer goods, healthcare and agrochemicals industries, as well as for further uses in the chemicals industry. OQ Chemicals' products are used in a wide range of applications, including coatings, lubricants and plasticisers. This diversity helps to limit OQ Chemicals' exposure to individual end-market cycles.

OQ Chemicals' global headquarters are located at Monheim in Germany.

#### *Trading*

OQ Trading has grown into a large international company through its role as the marketing arm for crude oil, refined products, petrochemicals, LNG and dry bulk (petroleum coke and sulphur) produced in Oman. It has leveraged this flow to grow its third party volumes and matured to a best in class operating model for commodity trading, focused equally on enhancing the value of Omani hydrocarbons and entrepreneurial third-party trading.

OQ Trading is headquartered in the Dubai International Financial Centre and has offices located across key markets and trading hubs, including Shanghai, Singapore, Muscat, Rotterdam and Houston. OQ Trading also has a presence in nine countries in Eastern Africa through its ownership of a non-controlling 40% equity stake in the Hass Petroleum Group, which purchases petroleum products and distributes and sells them to its businesses and retail customers throughout eastern and southern Africa.

#### *Retail and commercial fuel and related-product distribution*

##### *Introduction*

The OQ Group's retail and commercial fuel and related product distribution business is conducted by its 49% owned subsidiary, OOMCO, which is a publicly listed company on the Muscat Stock Exchange. OOMCO sells a variety of retail fuels to motorists through a network of 229 fuel service stations, the majority of which operate 24 hours a day and seven

days a week across Oman. OOMCO also sells fuels to a wide range of commercial, marine and aviation customers on a business-to-business basis, as well as lubricants and greases in Oman and more than 10 countries abroad. In addition, OQ owns 40% of Hass Petroleum through OQ Trading which acquired its stake in 2017. Hass Petroleum operates 120 fuel service stations across nine countries in East Africa.

### Retail business

OOMCO is the only fuel marketer in Oman offering Ultimax, an unleaded performance fuel (98 octane). This original fuel is recommended for sport and high-end cars but can be used by any gasoline engine. It protects the engine and improves its performance while cleaning it better than lower octane fuels. Other retail fuels sold by OOMCO are Mogas 91, Mogas 95 and low sulphur diesel.

### *Methanol production*

OQ Methanol operates a 3,000 MT per day natural gas-based methanol plant located in Salalah. The existing facilities include the methanol plant, related utilities and off-sites, as well as export facilities. The utilities include captive power generation, water desalination, boiler feed-water preparation, auxiliary steam generation, condensate/water treatment facilities, instrument air/plant air and nitrogen generations, and other utilities, including a waste water treatment plant. Methanol produced by OQ Methanol is exported from facilities at the Port of Salalah, close to the plant.

The plant was commissioned in May 2010 and, since commercial operations commenced, has generally produced over 1.11 million MT of methanol *per annum* compared to its nameplate capacity of 1.06 million MT.

A new project to expand into ammonia production commenced in July 2017 and consists of the following:

- an ammonia plant of 1,000 MT per day capacity which is being built adjacent to the methanol plant; and
- associated utilities and infrastructure.

The new ammonia plant will utilise hydrogen rich purge gas generated by the methanol plant as feedstock making it capable of producing ammonia without sacrificing energy efficiency.

As at 31 December 2020, the overall progress achieved on the project was 91.4%, where the engineering progress achieved was 100% and the procurement progress achieved was 99.79%. The construction progress achieved was 81.07% as at 31 December 2020. The total estimated EPC cost of the project is U.S.\$336 million which is being financed by a senior debt facility. As at 25 December 2020, U.S.\$271 million had been invested. As at 25 December 2020, the ammonia project had achieved 8.24 million safe man-hours without a lost time injury.

### *LPG project*

OQ LPG, a wholly-owned subsidiary of OQ, is developing facilities for the extraction and production of LPG from rich natural gas and the re-delivery of lean gas, together with the related processing, storage, transportation and export infrastructure, in Salalah.

The project comprises a gas processing facility, a separate storage site and additional supporting infrastructure. The project is utilising commercially proven technology and has a design life of 25 years. The feedstock for the project is rich gas. This is treated by removing the mercury, then dehydrated and subsequently regenerated in a pre-treatment unit. The gas is transferred to an extraction unit which extracts the lean gas. The residual liquids are processed to produce propane, butane and condensates. Part of the propane and butane may be combined to produce appropriate LPG blends. The production capacity is expected to be 304 KT *per annum*, comprised of 155 KT *per annum* of propane, 111 KT *per annum* of butane and 38 KT *per annum* of condensate.

The Government has agreed to supply all of the rich gas feedstock to OQ LPG on a cost free basis in return for lean gas and a share of the proceeds of the sale of other products produced according to an agreed payment waterfall. OQ Trading is the exclusive offtaker for the other products produced by the project.

As at 26 December 2020, the overall progress achieved on the project was 97.1%, where both the engineering progress achieved and the procurement progress achieved were 100%. The commissioning progress achieved was 75.05% as at 26 December 2020. The total estimated cost of the project is U.S.\$826 million which is being financed by a combination of debt and equity. As at 31 December 2020, U.S.\$753 million had been invested. However, due to delays beyond December 2020, mainly resulting from the Covid 19 outbreak, the Board approved an additional cost of approximately

U.S.\$20.89 million in order to cover the expense up to the first quarter of 2021. The estimated completion is in 2021. As at 31 December 2020, the project had achieved close to 17.2 million safe man-hours without a lost time injury.

In May 2021, a consortium of companies, including OQ, announced the intention to build one of the world’s largest green hydrogen plants, with construction scheduled to begin in 2028 in Al Wusta governorate. The plant is expected to be built in stages, with the aim to reach full capacity by 2038 and to be powered by 25 gigawatts of wind and solar energy.

## Principal Sectors of the Economy—Non-Oil and Gas Sector

### *Public Administration and Defence*

Public administration and defence accounted for 14.0% and 12.2% of nominal GDP in the years ended 31 December 2020 and 2019, respectively. In terms of nominal GDP, economic output from this sector decreased by 2.5% in the year ended 31 December 2020, as compared to the year ended 31 December 2019.

### *Manufacturing*

The manufacturing sector, which includes the operations of OQRPI (which was formed by the merger of the two refineries operating in Oman and is described in further detail in “Refining and marketing activities”), accounted for 8.2% and 10.5% of GDP in the years ended 31 December 2020 and 2019, respectively. The manufacturing sector employed approximately 14.7% of the private sector labour force (including approximately 15.1% of the expatriate private sector labour force and approximately 12.7% of the Omani national private sector labour force) as at 31 March 2021. In terms of real GDP, this sector is estimated to have increased by 4.5% in the year ended 31 December 2019 as compared to the year ended 31 December 2018.

The Government aims to increase manufacturing’s share of GDP to 11% by 2020. During the Eighth Five-Year Plan (2011-2015), the average annual growth rate of the manufacturing sector was 18.4%. As part of Oman’s industrial strategy, the Government’s major ongoing project within the sector is the Liwa Plastic Industries Complex, which is expected to commence operations in 2021. This plant will enable Oman to produce polyethylene. The project is expected to create approximately 13,000 jobs (1,000 direct, 12,000 indirect) and make a significant contribution to GDP. The total cost of the project is expected to be approximately U.S.\$6.4 billion, which is expected to be financed by a combination of U.S.\$3.8 billion of debt from international and local financial institutions and U.S.\$2.6 billion of equity funding, of which U.S.\$1.2 billion is expected from the Government, U.S.\$0.9 billion from a corporate loan and U.S.\$0.5 billion from pre-completion revenues generated from the project period. In addition, construction of the Luban plant in Salalah, which is expected to produce 1,000 metric tons of ammonia per day, is proceeding following the U.S.\$728 million financing arranged with a mixture of international, regional and local financial institutions in the first quarter of 2017. The facility will be used to refinance the existing debt of Salalah Methanol Company, a wholly-owned subsidiary of Oman Oil Company, while the remaining U.S.\$443 million is to be allocated to the development of the ammonia plant.

### *Construction*

The building and construction sector accounted for 6.1% and 6.3% of nominal GDP in the years ended 31 December 2020 and 2019, respectively. Building and construction employed approximately 31.1% of the private sector labour force (including approximately 33.3% of the expatriate private sector labour force and approximately 21.1% of the Omani national private sector labour force) as at 31 March 2021. In terms of real GDP, this sector is estimated to have declined by 4.5% in the year ended 31 December 2019 from the year ended 31 December 2018, primarily as a result of the completion of certain major government projects.

The table below sets forth information about building permits granted for the periods indicated.

	Year ended 31 December				
	2015	2016	2017	2018	2019
Residential .....	34,925	31,912	24,149	23,881	20,007
Non-Residential .....	3,913	3,859	3,457	4,102	2,639
Mixed .....	2,759	2,535	2,108	2,324	1,134
<b>Total.....</b>	<b>41,597</b>	<b>38,306</b>	<b>29,714</b>	<b>30,307</b>	<b>23,780</b>

*Source: National Centre for Statistics & Information*

## Wholesale and Retail Trade

Wholesale and retail trade accounted for 7.2% and 7.0% of nominal GDP each of the years ended 31 December 2020 and 2019, respectively. Wholesale and retail trade employed approximately 17.3% of the private sector labour force (including approximately 17.9% of the expatriate private sector labour force and approximately 14.9% of the Omani national private sector labour force) as at 31 March 2021. In terms of real GDP, this sector is estimated to have declined by 23.0% in the year ended 31 December 2019 from the year ended 31 December 2018, primarily as a result of the increases in population, income and younger demographics as well as the growth of retail space and new malls coming online.

## Transport, Storage and Communications

Oman has eight ports (Sultan Qaboos port, Duqm port, Muscat port, Salalah port, Shinas port, Khasab port, Qalhat port and Sohar industrial port), 13,567 km of paved roads, two international airports (Muscat and Salalah) and three local airports. Oman Air, which is 99.9% owned by the Government, is the main operating airline in Oman and transported six million passengers in 2019. In 2018 there were significant developments in the transport and logistic sector with the opening of the new Muscat International Airport in March and the Duqm airport in September. In addition, a new airfreight building was also completed in September as part of the upgrade of Salalah airport. The new Muscat Airport can now handle 12 million passengers annually and there is potential for expansion to accommodate 48 million passengers annually. There are seven telecommunications service providers operating in Oman (Omatel, Ooredoo, Telecom Oman, Awasr, Friendi, Renna and Zajel Communications). In 2020, Oman had approximately 6.3 million mobile telephone subscribers and approximately 5.4 million internet subscribers (fixed plus mobile).

The following table sets forth statistics regarding transportation for the periods indicated.

	Year ended 31 December				
	2015	2016	2017	2018	2019*
International Air Passenger Arrivals (thousands).....	4,902	5,766	6,677	7,499	7,835
Domestic Air Passenger Arrivals (thousands).....	8,572	8,750	10,634	10,901	9,773
Air Cargo Unloaded (1,000 tonnes).....	87.5	104.7	124.6	132.8	144.9
Air Cargo Loaded (1,000 tonnes).....	45.6	53.7	73.0	79.4	89.5
Goods received at customs ports					
Sea (1,000 tonnes).....	24,994	20,940	23,792	21,383	25,213
Land (1,000 tonnes).....	10,521	17,845	10,186	9,245	7,832
Air (1,000 tonnes).....	55	57	65	73	70
Paved Roads (kilometres).....	35,522	36,958	37,718	39,430	—
of which: dual carriageways.....	2,531	2,747	2,922	3,360	—

Source: National Centre for Statistics & Information.

### Note

\* Preliminary.

Transport, storage and communications accounted for 5.4% and 5.9% of nominal GDP in the years ended 31 December 2020 and 2019, respectively. Transport and communications employed approximately 5.7% of the private sector labour force (including approximately 5.2% of the expatriate private sector labour force and approximately 8.0% of the Omani national private sector labour force) as at 31 March 2021. In terms of real GDP, this sector is estimated to have remained flat in the years ended 31 December 2019 and 31 December 2018. In the ten months ended 31 March 2021, 1,538,031 vehicles were registered in Oman, of which 1,213,807 were private vehicles, 29,337 were taxis, 232,176 were commercial and 22,950 were rental cars.

The following table sets forth statistics regarding communications for the periods indicated.

	Year ended 31 December				
	2015	2016	2017	2018	2019*
Post Offices .....	82	80	82	83	83
Fixed Telephone Lines ( <i>thousands</i> ).....	434	423	498	560	592
Mobile Post-Paid Subscribers ( <i>thousands</i> )...	585	614	651	713	782
Mobile Pre-Paid Subscribers ( <i>thousands</i> ).....	6,061	6,252	6,293	5,728	5,602
Fixed Internet Subscribers ( <i>thousands</i> ) .....	236	270	351	424	475
Mobile Broadband Subscribers ( <i>thousands</i> ).	3,254	3,938	4,352	4,113	5,038

Source: National Centre for Statistics & Information.

#### Note

\* Preliminary.

The Government believes that Oman's geographical location, at a crossroads of global trade but largely separated from the geopolitical risks of the Strait of Hormuz and the Arabian Gulf, makes it well-placed to act as a business and logistics hub, and Oman continues to focus on establishing itself as major international shipment centre for traffic to and from Europe, Asia and Africa. Oman is particularly well placed to act as a redistribution point for east and central Africa. Oman's Logistics Strategy 2040 aims to improve efficiency and reduce costs in handling shipments. Moreover, the strategy aims to double employment by 2020 to 80,000 jobs. It also looks to double the industry's contribution to the economy to OMR 3 billion by 2020. The Ninth Five-Year Plan targets annual average growth of 5% from 2016-2020 in the transportation, storage and telecom sectors and aims for the sector to contribute 8% of GDP by 2020.

In addition to the transportation and logistical upgrades being made in the Duqm Special Economic Zone (see "*Refining and marketing activities—Duqm refinery*"), key projects under development include the first land link between the country and Saudi Arabia, the Diba-Lima-Khasab carriageway in Musandam Governorate, the U.S.\$1.1 billion Bidbid-Sur Road Project and the U.S.\$2.7 billion Batinah Expressway project. Another key project in this sector is the South Al Batinah Logistics Area, which is 95 km<sup>2</sup> and is expected to include logistics services, commercial activities, light industries and public services when it is completed in 2030.

#### **Banking and other financial services**

Banking and other financial services (financial intermediation) accounted for 7.4% and 6.9% of nominal GDP in the years ended 31 December 2020 and 2019, respectively. Banking and other financial services employed approximately 1.5% of the private sector labour force (including approximately 0.3% of the expatriate private sector labour force and approximately 7.1% of the Omani national private sector labour force) as at 31 March 2021. In terms of real GDP, this sector is estimated to have decreased by 0.5% in the year ended 31 December 2019 from the year ended 31 December 2018.

The commercial banking sector in Oman features seven local banks, nine foreign commercial banks, two specialised banks and two *Sharia*-compliant banks.

See "*Monetary Policy and Financial System—Banking System*".

#### **Real Estate Activities**

Real estate activities, accounted for 5.1% and 4.8% of nominal GDP in the years ended 31 December 2019 and 2018, respectively. These industries employed approximately 0.7% of the private sector labour force (including approximately 0.7% of the expatriate private sector labour force and approximately 0.6% of the Omani national private sector labour force) as at 31 March 2021. In terms of real GDP, real estate and business activities is estimated to have grown by 2.2% in the year ended 31 December 2019 from the year ended 31 December 2018.

#### **Electricity and Water Supply**

The electricity and water sector accounted for 2.5% and 2.1% of nominal GDP in the years ended 31 December 2020 and 2019, respectively. Electricity and water utilities employed approximately 0.7% of the private sector labour force (including approximately 0.6% of the expatriate private sector labour force and approximately 1.5% of the Omani national private sector labour force) as at 31 March 2021. In terms of real GDP, this sector is estimated to have grown by 23.1% in the year ended 31 December 2019 from the year ended 31 December 2018.

The following table sets forth statistics regarding electricity and water usage in Oman for the periods indicated.

	Year ended 31 December				
	2015	2016	2017	2018	2019
Electricity Production (GW/h).....	32,189	33,600	35,673	37,192	37,513
Electricity Consumption (GW/h).....	28,912	30,359	32,349	33,547	33,796
Residential (GW/h).....	13,757	13,995	14,892	15,326	15,059
Commercial (GW/h).....	5,736	6,513	7,531	7,837	8,072
Industrial (GH/h).....	4,723	5,153	5,021	5,169	5,092
Government (GW/h).....	3,901	3,862	3,814	3,882	4,141
Other (GW/h).....	795	836	1,092	1,335	1,431
Water Production (m <sup>3</sup> millions).....	338.8	378.1	400.5	421.4	446.2
Connections (thousands).....	465	499	558	599	617

Source: National Centre for Statistics & Information.

The Sector Law, which came into force on 1 August 2004 pursuant to Royal Decree № 78/2004 (as amended) provides the framework for electricity and related water services in Oman. It also provides the basis for the transfer of relevant assets and liabilities of the Ministry of Housing, Electricity and Water to a number of successor companies (the “**Transfer Scheme**”). Pursuant to the Transfer Scheme, the Ministry of Housing, Electricity and Water distributed all the electricity and related water activities to the operating subsidiaries of Electricity Holding Company S.A.O.C, a holding company that owns, on behalf of the Government, 99.99% of the issued and outstanding shares of the nine operating subsidiaries engaged in the procurement, generation, transmission and dispatch of electricity and related water services in Oman.

See “*Risk Factors—Risk Factors in relation to the Issuer—Oman is in a water-deprived region*”.

### **Agriculture and Fisheries**

Oman’s largest agricultural crop is dates, and Oman is also a leading producer of livestock, dairy products and vegetables in the Gulf region. Various Government agencies and parastatal companies exist to encourage agricultural and fishery production.

As increased land has come under cultivation (217,000 feddans in 2015, as compared to 262,855 feddans in 2019 (one feddan = 4,200 m<sup>2</sup>)), agricultural production has similarly increased from 2.4 million tonnes in 2015 to 3.0 million tonnes in 2019.

The following table sets forth statistics regarding agriculture in Oman for the periods indicated.

	Year ended 31 December				
	2015	2016	2017	2018	2019
Cultivated Area (thousands of feddans).....	2,173	2,248	2,403	2,593	2,629
Vegetables (thousands of feddans).....	50	53	53	53	55
Field Crops (thousands of feddans).....	9	10	10	10	10
Fodder Crops (thousands of feddans).....	84	88	1,019	1,189	1,200
Fruit Crops (thousands of feddans).....	74	74	75	77	78
Agricultural Production (thousands of tonnes)....	2,362	2,627	2,623	2,951	3,018
Number of animals					
Cows (thousands).....	340	381	389	397	405
Camels (thousands).....	253	258	263	268	273
Sheep (thousands).....	570	582	593	605	617
Goats (thousands).....	2,383	2,213	2,257	2,302	2,348

Source: National Centre for Statistics & Information.

Agriculture and fisheries accounted for 3.0% and 2.4% of nominal GDP in the years ended 31 December 2020 and 2019, respectively. These industries employed approximately 5.8% of the private sector labour force (including approximately 7.0% of the expatriate private sector labour force and approximately 0.5% of the Omani national private sector labour force) as at 31 March 2021. In terms of real GDP, this sector is estimated to have grown by 1.9% in the year ended 31 December 2019 from the year ended 31 December 2018. The Government’s focus is to increase fisheries production from approximately 200,000 tonnes per year in 2015 to approximately 480,000 tonnes per year by 2020, as well as to create an additional 20,000 jobs. By 2020, the aim is for the sector to contribute 0.6% of GDP and the target is for the direct return

from fishing and fish processing activities to be approximately OMR 739 million. Key projects within the sector include the Duqm Fishery Harbour, which is expected to benefit from investments of approximately OMR 100 million as well as the adjoining industrial fisheries cluster.

The following table sets forth statistics regarding fishing in Oman for the periods indicated.

	Year ended 31 December					
	2015	2016	2017	2018	2019	2020
<b>Fish Landed (tonnes)</b> .....	<b>257,172</b>	<b>279,610</b>	<b>347,541</b>	<b>553,445</b>	<b>579,184</b>	<b>799,366</b>
Artisanal Fishing (tonnes) .....	254,787	277,014	343,926	548,672	555,209	755,308
Commercial Fishing (tonnes) .....	210	163	398	413	20,054	39,882
Coastal Fishing (tonnes) .....	2,024	2,330	3,140	3,909	3,921	4,176
Aquaculture (tonnes) .....	170	103	77	451	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
<b>Exports</b>						
Quantity (thousands of tonnes) .....	111	114	94	253	204	N/A
Value (OMR thousands) .....	48,873	58,821	27,831	102,197	84,551	N/A

Source: National Centre for Statistics & Information.

#### Note

(1) These figures are no longer published individually, and are instead included in the commercial fishing figures.

### Tourism/Hotels and Restaurants

As part of Oman's 2040 tourism strategy, which targets specific business sectors and traveller profiles, Oman aims to become a top-of-mind destination for both vacations and business meetings and to attract more than 11 million international and local tourists by 2040. Specifically, Oman intends to target select, premium visitors with higher per capita spending and fewer negative impacts on culture and the environment. In order to do so, Oman plans on developing its authentic, world-class Omani experiences based on its unique geography, history and culture, such as outdoor adventures in Oman's wadis, off-road treks across its deserts, and tours of its frankincense trade.

In 2019, Oman attracted approximately 3.51 million international tourists, as compared to approximately 3.24 million tourists in 2018 and approximately 3.18 million tourists in 2017. See "*—Transport, Storage and Communications*". Hotel revenues increased, growing from OMR 260 million for the year ended 31 December 2018 to OMR 277 million for the year ended 31 December 2019. Most international hotel chains have opened up locations in Oman, including Ritz-Carlton, Hyatt, Kempinski, Anantara, Crowne Plaza, Intercontinental, Shangri-La, Chedi, Radisson, Ramada, Sheraton and Golden Tulip Hospitality Group. In addition, domestic hotel chains have also emerged, such as Atana and Al Nahda Resort.

Hotels and Restaurants accounted for 0.7% and 1.1% of nominal GDP in the years ended 31 December 2020 and 2019, respectively. Hotels and Restaurants employed approximately 8.0% of the private sector labour force, (including approximately 8.9% of the expatriate private sector labour force and approximately 3.7% of the Omani national private sector labour force) as at 31 March 2021. In terms of real GDP, Hotels and Restaurants is estimated to have increased by 7.2% in the year ended 31 December 2019.

The number of visitors to the Sultanate rose by 8.1% in 2019 compared to 2018, reaching 3.51 million compared to 3.2 million in 2018. Entertainment was the main purpose of their visit forming 46.4% of the total number of visitors arriving, followed by 30.5% visiting friends and family and 11.7% on a business trip. The target set for 2020 is 21,000 new direct jobs, including 10,000 for Omanis, bringing the average Omanisation ratio in the sector to 44%. However, due to the COVID-19 pandemic the revenue for the 3-5 star hotels declined by 62.9% on a year-on-year through December 2020. The strategy for growing tourism in Oman is based on two foundations: first, having a series of tourist facilities in one location, and second, offering a distinctive tourist experience. In terms of improving facilities, there are approximately 39 projects in various stages of design, construction or tendering, including Wadi Bani Habib and the Al Hoota Cave redevelopment, the Duqm frontier town and the Ras Al Hadd development. As for providing a distinctive tourist experience, Oman's emphasis on archaeology, conservation, and natural beauty is a key distinguishing factor from its neighbours. Oman has four World Heritage Site designations: the Aflaj Irrigation Systems, the Archaeological Sites of Bat, Al-Khutm and Al-Ayn, the Bahla Fort and the Land of Frankincense.

The following table sets forth statistics regarding tourism in Oman for the periods indicated.

	Year ended 31 December				
	2015	2016	2017	2018	2019
Visitors ( <i>thousands</i> ).....	2,634	3,207	3,178	3,242	3,506
Tourist Nights ( <i>thousands</i> ).....	13,139	16,357	17,480	20,344	19,948
Average Nights Spent.....	6.9	7.0	7.5	8.8	8.0
Tourism Expenditure ( <i>OMR millions</i> ).....	684.7	679.2	532.3	427.3	364.8
Number of Hotels.....	318	340	359	412	491
Occupancy Rate.....	46.9	47.3	45.2	38.4	37.4

Source: National Centre for Statistics & Information.

In the three months ended 31 March 2021, revenues from Oman’s hotels decreased to approximately OMR 21.3 million, as compared to OMR 53.4 million in the three months ended 31 March 2020, a decrease of 60.4%. The occupancy rate was 35.8% with 298,885 total guests in the three months ended 31 March 2021, as compared to 51.5% and 390,642, respectively, in the same period in 2020.

See “*Response to COVID-19*”.

Key projects within the sector include the mixed used development project such as Madinat Al Irfan, a PPP developed by Omran (a state-owned enterprise supporting Oman’s tourism sector) and targeted to contribute approximately OMR 450-500 million annually to GDP upon completion, and the waterfront development around Port Sultan Qaboos, which is expected to provide 12,000 direct jobs and 7,000 indirect jobs. Other major projects include Hay Al Sharq, Naseem Al Sabah, Qurayyat Resort, Al Nakheel Resort and Ras Al Hadd. In addition, domestic tourism and ecotourism has become a priority for the sector. The Duqm Rock Garden geopark project “Al Huqf” is a collaborative effort involving the Special Economic Zone Authority of Duqm, Ministry of Heritage and Tourism and *Tanfeedh*. Al Huqf is expected to play a key role in establishing the Sultanate as one of the world’s choicest geotourism destinations. Promoting local crafts and enhancing the earning potential of local artisans feature among the major objectives of Al Huqf.

As part of Vision 2040, Oman hopes to achieve total tourism employment of 535,574 by 2040 (as compared to 89,413 in 2013), 5.3 million international tourists visiting Oman per year (as compared to 1.4 million in 2013), and a GDP contribution from the tourism sector of more than 5.9% (as compared to 2.0% in 2013).

### ***Mining and quarrying***

Oman benefits from strong mineral reserves and is one of the world’s leading gypsum exporters, with estimated gypsum resources and reserves in excess of one billion metric tons. In addition, Oman’s mineral reserves also include chromite (approximately 2.5 million metric tons), limestone (approximately 24 billion metric tons) and manganese (approximately 1.5 million metric tons).

The mining sector accounted for 0.5% and 0.4% of nominal GDP in each of the years ended 31 December 2020 and 2019, respectively. The mining sector employed approximately 3.0% of the private sector labour force (including approximately 1.2% of the expatriate private sector labour force and approximately 11.4% of the Omani national private sector labour force) as at 31 March 2021. In terms of real GDP, this sector is estimated to have grown by 8.0% in the year ended 31 December 2019 from the year ended 31 December 2018.

Oman’s newly enacted mining law came into effect on 14 March 2019 and is expected to attract additional investments in the sector through reducing regulatory procedures and increasing transparency. Moreover, the recent discovery of reserves of minerals including gold, copper and certain rare earth elements is expected to boost the growth of the mining sector in the coming years. The Ninth Five-Year Plan targets annual average growth of 6.5% from 2016 to 2020, albeit from a low base, in the mining sector. In 2019, the procedures required in respect of 15 mining blocks were finalised in order to prepare them for investment. In addition, the Ghuzayn copper project received a “no-objection” notice to start the Mining activities.

In January 2016, the OIA (then known as the SGRF) announced its planned investment in a new venture, Minerals Development Oman (“**MDO**”), which plans to invest in Omani mining projects with local, regional, and international partners. The OIA is expected to hold a 60% stake in MDO, with the remaining 40% stake to be offered to the public in an IPO expected to occur in due course. The goal of MDO is to develop the Omani mining sector by investing in and enabling various projects across a wide range of mineral commodities and value chains. Since its establishment in 2016, MDO has signed a joint-venture agreement with EXO Mining and the Oman Mining Company to develop the copper and



gold deposits in Block 10 Yanqul in the western part of the Sultanate and a joint venture with Mawarid Mining to explore and develop the mineral deposits in Blocks 1 and 2 in North Al Batinah Governorate.

Other key projects within the sector include the mineral processing and refining facilities in the Port of Duqm's industrial zone, which includes break-bulk terminal facilities for exporting minerals, with the first such shipment having occurred in 2015.

## **Employment**

The total labour force in Oman was estimated to be approximately 2.2 million as of 31 December 2019, of which approximately 1.6 million workers were employed in the private sector.

At 31 December 2019, Omanis constituted approximately 21.3% of the labour force while expatriates, who constituted 42.5% of the total population, made up 78.7% of the labour force. As at 31 December 2019, Omanis constituted approximately 85.2% of government sector employees, as compared with expatriates who constituted approximately 14.8% of government sector employees. As at 31 December 2019, Omanis constituted approximately 16.1% of private sector employees, as compared with expatriates who constituted approximately 83.9% of private sector employees. The percentage of expats in the private sector has decreased from 85.1% as of 31 December 2018. Of those expatriates employed in the private sector as at 31 December 2020, 27.1%, 14.8% and 12.1% were employed in the construction sector, wholesale and retail trade sector and manufacturing sector, respectively.

The Government has continued to keep strict control over the civil service wage bill with a hiring freeze on new entrants, which has led to the wage bill decreasing from 12.4% of GDP in 2017 to approximately 11.4% of GDP in 2019, as well as more Omanis entering the private sector. Additionally, Government-sector employees increased by 2.8% from a total of 2,212,744 (Omanis: 447,613 and Expats: 1,765,131) in 2018 to 2,157,807 (Omanis: 465,226 and Expats: 1,692,581) in 2019.

One of the strategic objectives of the Vision 2020 plan is to increase the number of Omanis employed in the private sector and to reduce Oman's reliance on expatriate labour. Accordingly, in numerous Five-Year Plans, and most recently in the Eighth Five-Year Development Plan one objective has been to increase the percentage share of Omanis in the total labour force, a process known as "Omanisation". The Government has therefore imposed quotas or ceilings, through the Ministry of Labour, on the overall number of non-Omanis employed in various private and public-sector positions.

The Government has also increased the costs of employing expatriate labour by increasing the fees for being granted recruitment licenses, the renewal of licences and the registration of employee data, according to factors such as the salary to be received by the new employee, up to RO 2,001 per new employee receiving salaries of RO 4,000 and above. The cost of the licence fee for an expatriate employee hired in a mid-level position is OMR 1,001, while the same for an expatriate working in a technical, skilled or specialised position will cost employers OMR 601 per expatriate employee. Revised fees have also been introduced for sectors such as animal husbandry, fisheries and agriculture, however some exceptions exist for SMEs. Funds raised by the levy are placed in a Human Resources Development Fund to fund increased training for Omanis. The Government also has a policy to restrict the issuance of work permits to expatriates if qualified Omanis are available to do the relevant job.

In addition, Royal Decree № 48/2016 established the National Training Fund (the "NTF") in October 2016, which aims to build the capabilities of the Omani workforce in order to bridge the gap between the market supply and demand. The NTF aims to foster collaboration amongst priority sectors to identify employment opportunities and understand current requirements as well as future needs. In order to achieve its goals, the NTF has begun evaluating the current state of training efforts, benchmarking with experienced nations, and developing a roadmap that will assist in implementation. Pursuant to Royal Decree № 89/2020, the competencies of the NTF were transferred to the Ministry of Labour.

The unemployment rate among the total labour force in Oman was estimated by the International Labour Organization and reported by the World Bank at 2.7% in 2019, and at 2.5% as of 31 December 2020.

The following table sets forth the unemployment rate among the total labour force and the unemployment rate among people between the ages of 15 and 24, as estimated by the Ministry of Finance, International Labour Organization and reported by the World Bank in Oman for the periods indicated.

	As at 31 December					
	2015	2016	2017	2018	2019	2020
	(%)					
Total unemployment rate.....	3.6	3.3	3.0	2.9	2.7	2.5
Youth (ages 15-24) unemployment rate ...	15.0	13.9	13.4	13.2	13.2	13.7

Source: International Labour Organisation.

The following table sets forth the structure of Omani nationals working in the private sector by monthly wages at 31 March 2021.

	325-399	400-499	500-599	600-699	700-799	800-899	900-999	1,000-1,999	2,000+
	(OMR)								
Number of Omani national workers.....	69,286	50,795	32,243	22,038	14,068	10,194	8,000	32,945	15,430

Source: National Centre for Statistics & Information.

The Government encourages employment of Omani nationals, including women, through the funding of vocational training schemes to enable them to acquire the skills necessary for employment.

In 2018, the Government established the National Centre for Employment (“NCE”), with the aim of bringing all employment services together. The NCE acts as a one-stop centre for job seekers, helping to unify employment efforts and effectively coordinate the supply and demand of job opportunities in the Sultanate. Pursuant to Royal Decree № 89/2020, the competencies of the NCE were transferred to the Ministry of Labour.

The Government takes a multi-faceted approach to address the country’s labour market, given its importance for a growing economy. The Government has worked intensively to deliver several initiatives identified under the *Tanfeedh* programme. The main objective of the initiatives is to better align the demand and supply requirements within the labour market. A total of eleven initiatives were identified to be implemented under the following work streams: “Unlocking Demand (Laws, Policies, and Systems)”, “Strengthening Supply (Human Resource Development)” and “Coordination of Demand and Supply”.

On 1 November 2020, pursuant to Royal Decree № 82/2020 issued on 17 August 2020, the Public Authority for Social Insurance (the “PASI”) is expected to launch a new fund to support Omani employees whose employment has been terminated. The PASI has the overall role of administering the fund. From January 2021, employers have to deduct 1% of each employee’s basic monthly salary to contribute to the fund. It is expected that in the future, job seekers will also be eligible to benefit from the fund.

The Oman Vision 2040 Implementation Support and Follow-Up Unit (“ISFU”) and the Ministry of Labour have been working closely in the area of workforce development and putting in place efforts towards better services and facilities for business owners. In an effort to enhance the employment process, many procedures have been automated and streamlined through the introduction of Enhanced Advance Manpower Management System, to streamline work permit approvals by linking the governmental and non-governmental entities through an online platform. As well as automating most services provided by the Ministry of Labour such as part-time contract registration and temporary work permits. Additionally, many regulations have been reviewed and updated toward more flexibility. Recently, the Ministry of Labour has announced a gradual Omanisation strategy by setting a minimum targeted percentage and the Ministry now allows flexible movement of non-Omani workers between enterprises under the same group companies.

### Invest Easy and Doing Business in Oman

The Invest Easy portal (also known as the One-Stop-Shop) was developed by the Government in the early 2000s with the goal of quickly and efficiently providing citizens, entrepreneurs, prospective investors and businesses with the services and information they need. Invest Easy aims to achieve these goals by, among other means, providing a fast and efficient licensing and registration processes and a single online entry point for the business community to access Government services and information. Company registrations per year increased to 22,000 in 2015 from 4,000 before the programme began, and licenses issued per year increased to 100,000 in 2015 from 25,000 prior to the programme. The World Bank Group’s Doing Business 2020 report ranked Oman 68<sup>th</sup> globally as compared to 78<sup>th</sup> in 2019 and 2018, 71<sup>st</sup> in 2017 and

66<sup>th</sup> in 2016. The World Bank Group's Doing Business 2020 report also ranked Oman 32<sup>nd</sup> in the category of starting a business (up from 37<sup>th</sup> in 2019 and 2018, tied with its rank in 2017 and up from 149<sup>th</sup> in 2016 and 77<sup>th</sup> in 2014).

Notably, in 2016, Oman made starting a business easier by removing the requirement to pay a minimum capital amount within three months of incorporation and streamlining the registration of employees. Oman facilitated cross-border trade by introducing a new online single window that allows for rapid electronic clearance of goods. Moreover, Oman's number of registered enterprises has increased from 2014 to 2019 growing from 286,569 in 2014 to 312,651 in 2015 to 344,043 in 2016, 358,666 in 2017, 294,202 in 2018 and 312,720 in 2019. As for GCC peers, in Doing Business 2019 the UAE ranked 11<sup>th</sup> overall, Bahrain ranked 62<sup>nd</sup>, Qatar ranked 83<sup>rd</sup>, Saudi Arabia ranked 92<sup>nd</sup> and Kuwait ranked 97<sup>th</sup>.

The following table shows key indicators for starting a business for Oman and the MENA region:

	<b>Oman</b>	<b>MENA Average</b>
Average procedures required.....	4.5	6.5
Average time ( <i>days</i> ) .....	4.5	19.7
Average cost ( <i>% of income per capita</i> ) .....	3.1	16.7

*Source: World Bank—Doing Business 2020*

## Education

The Government views education as a key pillar in the development of Oman, and, accordingly, the Government's aim is universal education. The Ministry of Education is deploying new technologies and promoting research and innovation in order to result in a more educated population that is able to make positive contributions to Oman's development and to enhance its standing in the world. The Government's educational strategy is based on four principles: (i) setting up a new effective framework for education; (ii) building capacity and expertise in education administration; (iii) the gradual devolution of responsibilities from the Ministry of Education level to the schools and higher education institutions themselves; and (iv) the adoption of an outcomes-based approach in educational planning, development, reviewing and funding.

The following table sets forth statistics regarding primary and secondary education (K-12) in Oman for the school years indicated.

	<b>School Year</b>				
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Schools .....	1,647	1,725	1,808	1,927	2,046
Government Schools .....	1,068	1,100	1,125	1,149	1,163
Special Education Schools .....	3	3	3	3	3
Private Schools.....	530	578	636	730	834
International Schools.....	46	44	44	45	46
Students ( <i>thousands</i> ) .....	724.4	748.3	770.5	805.3	843.6
Teachers ( <i>thousands</i> ).....	67.9	68.4	69.4	70.3	71.5

*Source: National Centre for Statistics & Information.*

In 2019, the literacy rate was 96.2%, of which 97.5% of males were literate and 93.5% of females were literate. Illiteracy is primarily concentrated in people over 50.

The following table sets forth statistics regarding higher education in Oman for the school year indicated.

	<b>School Year</b>				
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Students ( <i>thousands</i> ) .....	23.6	27.2	29.5	30.1	32.7
Graduate Students ( <i>thousands</i> ) .....	15.8	15.1	16.6	20.5	21.5
Omani Students Abroad					
Students ( <i>thousands</i> ) .....	14.4	18.1	7.5	11.1	8.2
Graduate Students ( <i>thousands</i> ).....	2.1	2.2	2.4	3.8	3.0
Academic Staff ( <i>thousands</i> ) .....	5.6	5.1	5.1	6.0	6.8
Percentage Omani (%).....	30	28	29	26	28

*Source: National Centre for Statistics & Information.*

Oman also benefits from a strong cultural sector, with 12 museums visited by 408,000 people in 2019. It has a number of historic monuments, including 51 castles and forts, which had 427,000 visitors in 2019.

## Healthcare

In 2019, Oman had 72 hospitals, 985 hospital beds, 317 extended health centres, 937 clinics and 788 pharmacies.

The following table sets forth indicators regarding healthcare in Oman for the periods indicated.

	For the Year Ended 31 December				
	2015	2016	2017	2018	2019
Key Indicators ( <i>per 1,000 population</i> )					
Hospital Beds .....	15.6	14.9	14.7	14.8	15.0
Doctors .....	21.4	19.6	20.2	21.0	20.8
Dentists.....	2.8	2.8	3.0	2.1	3.2
Nurses.....	46.5	44.8	43.7	44.0	44.0
Pharmacies .....	5.1	5.5	5.4	5.9	5.7
Malnutrition Rate (% of under 5 year olds) ..	2.2	1.8	1.5	1.4	1.2

*Source: National Centre for Statistics & Information.*

## Preservation of the Environment

The preservation of environmental and water resources has been a central objective of Oman's development strategy since 1970. Oman's environmental regime is primarily regulated by the Law on the Conservation of the Environment and Combating of Pollution (Royal Decree № 114/2001) (as amended), which makes it mandatory for an owner of a place of work to minimise waste at the source of pollution. Oman's environmental protection regime is enforced by the Environment Authority, as well as the Ministry of Agriculture and Fisheries Wealth and Water Resources.

The Sultan Qaboos Prize for Environmental Preservation is a biennial award co-sponsored by the United Nations Educational, Scientific and Cultural Organization ("UNESCO") and His Majesty in recognition of outstanding contributions by individuals, groups of individuals, institutes or organisations in the management or preservation of the environment.

## EXTERNAL SECTOR

### General

Preliminary data shows that Oman's balance of payments recorded an overall deficit of OMR 165 million in the first six months of 2020, as compared to a deficit of OMR 834 million in the first six months of 2019, primarily due to the increase in current account deficit. The current account deficit increased in the second quarter of 2020 to OMR 1,459 million (representing 11.9% of GDP), as compared to OMR 962 million in the second quarter of 2019 (representing 6.8% of GDP). The increase in the current account deficit in the second quarter of 2020 was primarily due to a decrease in the goods balance and an increase in income payments. The trade surplus decreased by 26.1%, to OMR 2,531 million in the first six months of 2020 from OMR 3,424 million in the first six months of 2019, due to a 19.1% decrease in merchandise exports, which decreased to OMR 6,126 million in the first six months of 2020 from OMR 7,575.2 million in the first six months of 2019. However, the merchandise imports declined by 13.4% to OMR 3,589.3 million in the first six months of 2020 from OMR 4,151 million in the first six months of 2019.

The capital and financial account recorded a net inflow of OMR 1,417 million in the second quarter of 2020, as compared to OMR 386 million in the second quarter of 2019, reflecting an increase of 267%. This increase was primarily due to an increase in financial account inflows from OMR 369 million in the second quarter of 2019 to OMR 1,409 million in the second quarter of 2020. Net FDI inflows increased from OMR 1,104 million in the second quarter of 2019 (representing 7.8% of GDP) to OMR 1,569 million in the second quarter of 2020 (representing 12% of GDP), primarily due to increased inflows from China in constructions and power industry.

Net foreign assets held by Omani banks (excluding the CBO) increased by OMR 648.7 million, from OMR 769.6 million as at 31 December 2019, to OMR 1,418.3 million as at 30 September 2020. Foreign currency deposits at Omani banks increased from OMR 2,609.2 million as at 31 December 2019, to OMR 2,832.6 million as at 30 September 2020. Foreign currency deposits as a percentage of total deposits increased from 11.0% as at 31 December 2019, to OMR 11.6% as at 30 September 2020.

Oman's external trade surplus decreased from OMR 3,074 million in June 2019 to OMR 2,553 million in June 2020, a decrease of OMR 523 million, or 17%. The decrease in the trade surplus was primarily due to a decline in oil and non-oil exports due to lower demand from trading partners in the first half of 2020, as compared to the first half of 2019.

### *Preliminary 2020 Results*

According to preliminary figures, Oman's balance of payments recorded an overall deficit of OMR 877 million in 2020, as compared to a deficit of OMR 540 million in 2019. The current account increased in 2020 to OMR 3,330 million (representing 13.4% of GDP), as compared to OMR 1,639 million in 2019 (representing 5.6% of GDP), primarily due to a decrease in the goods balance. According to preliminary figures, the capital and financial account recorded a net inflow of OMR 2,977 million in 2020, as compared to OMR 1,547 million in 2019, reflecting an increase of 91% and net FDI inflows decreased from OMR 1,442 million in 2019 (representing 4.9% of GDP) to OMR 1,024 million in 2020 (representing 4.1% of GDP), primarily due to increased inflows from China in constructions and power industry. Net foreign assets held by Omani banks (excluding the CBO) decreased by OMR 690.6 million, from OMR (769.6) million as at 31 December 2019, to OMR (1460.2) million as at 31 December 2020, according to preliminary figures. Oman's external trade surplus decreased from OMR 7,009 million by the end of 2019 to OMR 4,466 million by the end of 2020, a decrease of OMR 2,543 million, or 36.3%, based on preliminary figures.

### Foreign Trade

#### *Exports and Imports*

Oman's exports consist principally of crude oil. The total value of merchandise exports (including re-exports) decreased by 21.4% to OMR 8,712.6 million for the nine months ended 30 September 2020, as compared to OMR 11,087.9 million for the same period in 2019. For the nine months ended 30 September 2020, the value of crude oil exports from Oman decreased by 29.3% to OMR 3,893.4 million, as compared to OMR 5,507.5 million for the same period in 2019. For the nine months ended 30 September 2020, the value of gas exports from Oman decreased by 25.6% to OMR 960.9 million, as compared to OMR 1,291.5 million for the same period in 2019, due to lower LNG prices. The value of non-oil and gas exports (excluding re-exports) declined by 12.5% in the nine months ended 30 September 2020, as compared to the same period in 2019, due to a decrease in the exports of chemical products, plastic and rubber products and base metals and articles. The majority of oil exports go to Asia, with China accounting for 88% of Oman's total oil and condensates exports for the nine months ended 30 September 2020. For a discussion of the principal countries purchasing oil from Oman, see "*The Economy of Oman—Principal Sectors of the Economy - Oil and Gas Sector—Oil Exports*".

The total value of recorded imports decreased by 5.7% to OMR 6,039.4 million for the nine months ended 30 September 2020, as compared to OMR 6,407 million for the same period in 2019. Unrecorded imports are goods which are not declared for customs purposes, primarily defence equipment.

The following table presents the composition of Oman's exports and imports by product classification for the periods indicated.

	For the year ended 31 December					
	2015	2016	2017	2018	2019	2020 <sup>(1)</sup>
	<i>(OMR millions, except where indicated)</i>					
<b>Merchandise Exports</b>						
<i>Oil and Gas</i> .....	7,828.5	5,840.3	7,366.1	10,486.7	10,195.1	7,000
Crude Oil.....	6,682.3	4,936.7	5,795.3	7,728.2	7,555.9	5,053
Refined Oil.....	172.9	186.7	404.7	1,041.9	929.1	632
Liquefied Natural Gas.....	973.3	716.9	1,166.2	1,716.6	1,710.1	1,315
<i>Non-Oil</i> .....	3,003.8	2,398.8	3,176.4	3,727.3	3,230.6	3,030
Base Metals and Articles.....	650.5	508.2	624.2	999.5	856.9	859.7
Chemical Products.....	700.2	577.4	807.5	858.6	856.9	640.1
Mineral Products.....	572.8	482.3	859.6	662.5	373.2	415.2
Others.....	1,080.3	830.9	885.1	1,206.5	1,145.3	1,115.2
<i>Re-Exports</i> .....	2,571.5	2,056.3	2,102.1	1,831.5	1,448.8	1,699.3
Mineral Products.....	565.5	655.3	694.7	455.1	69.5	45.8
Transport Equipment.....	1,615.5	992.6	590.9	475.5	454.2	842.7
Others.....	390.6	408.4	816.5	900.9	925.1	810.8
<b>Total merchandise exports</b> .....	<b>13,404.1</b>	<b>10,591.3</b>	<b>12,644.7</b>	<b>16,045.2</b>	<b>14,874.5</b>	<b>11,730.3</b>
<b>Recorded Merchandise Imports</b>						
Electrical Machinery and Mechanical						
Equipment and Parts.....	2,240.7	2,352.6	2,352.6	2,493.8	2,018.2	1,791.5
Base Metals and Articles.....	1,256.6	1,160.7	1,358.8	1,656.9	1,255.7	1,185.8
Transport Equipment.....	1,778.0	1,103.2	1,101.5	646.2	691.2	628.3
Chemical Products.....	955.2	673.6	751.6	777.2	759.7	742.7
Prepared Food Stuffs, Beverages.....	444.7	450.9	481.8	485.5	540.4	444.7
Live Animals and Its Products.....	450.1	438.8	451.0	500.4	511	512.6
Mineral Products.....	1,682.7	1,100.3	1,067	900.2	555.1	568.3
Others.....	2,345.3	2,105.2	2,373.3	2,243.6	2,160.9	2,099.6
<b>Total recorded merchandise imports</b> .....	<b>11,153.3</b>	<b>8,900.2</b>	<b>9,937.5</b>	<b>9703.7</b>	<b>8,492.2</b>	<b>7,973.4</b>
<b>Trade Surplus</b> .....	<b>2,250.8</b>	<b>1,691.1</b>	<b>2,707.1</b>	<b>6,341.5</b>	<b>6,382.3</b>	<b>3,756.9</b>
<b>Total External Trade</b> .....	<b>24,557.4</b>	<b>19,491.6</b>	<b>22,582.2</b>	<b>25,749</b>	<b>23,366.7</b>	<b>19,703.7</b>
<b>Merchandise Imports by Customs</b>						
<b>Outlets</b>						
<b>Sea</b>						
Value.....	6,624.0	4,831	5,759.3	5,478.9	4,495.2	4,208.2
<i>Percentage of Total Imports</i> .....	59.4%	54.3%	56.7%	55.3%	52.9%	52.7%
Quantity (1,000 tonnes).....	24,994.0	20,940.0	23,792.1	21,383.4	24,602.8	19,901.7
<i>Percentage of Total Imports</i> .....	70.3%	50.0%	69.9%	69.7%	75.7%	73.4%
<b>Land</b>						
Value.....	3,318.4	2,855.0	2,986.9	2,957.0	2,590.2	2,528.5
<i>Percentage of Total Imports</i> .....	29.8%	32.1%	29.4%	29.8%	30.5%	31.7%
Quantity (1,000 tonnes).....	10,521.2	17,845.0	10,186.1	9,244.9	7,821.0	7,148.4
<i>Percentage of Total Imports</i> .....	29.6%	42.6%	29.9%	30.1%	24.1%	26.4%
<b>Air</b>						
Value.....	1,210.9	1,215.0	1,418.0	1,472.7	1,406.9	1,244.1
<i>Percentage of Total Imports</i> .....	10.9%	13.7%	14.0%	14.9%	15.6%	15.6%
Quantity (1,000 tonnes).....	55.2	57	65.2	72.6	69.9	52.5
<i>Percentage of Total Imports</i> .....	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%
<b>Total recorded merchandise imports</b> .....	<b>11,153.3</b>	<b>8,900.2</b>	<b>10,164.2</b>	<b>9,908.6</b>	<b>8,492.2</b>	<b>7,981</b>
Quantity (1,000 tonnes).....	35,570.4	38,842.0	34,043.4	30,700.9	32,493.7	27,102.6

*Source: Directorate General of Customs—Royal Oman Police, Ministry of Energy and Minerals, Oman Oil Refineries & Petroleum Industries Company SAOC and Oman LNG*

**Note**

(1) Preliminary. Subject to amendment and revision.

The following table sets forth the total trade exchange by country of origin for the periods indicated.

	For the year ended 31 December					
	2015	2016	2017	2018	2019	2020 <sup>(1)</sup>
	<i>(OMR millions)</i>					
<b>Non-Oil Omani Exports</b> .....	<b>3,098.3</b>	<b>2,398.7</b>	<b>3,176.4</b>	<b>3,727.0</b>	<b>3,230.5</b>	<b>3030.2</b>
U.A.E.....	626.2	604.6	711.2	687.4	607.6	575.8
Saudi Arabia.....	375.0	253.5	487.2	611.7	584.3	493.2
India .....	274.1	251.7	310.7	381.2	321.7	338.5
China .....	215.6	197.5	244.0	269.3	219.2	176
Qatar.....	94.4	80.8	210.3	348.8	216.9	234.1
Others (including the United States).....	1,513.0	1,010.6	1,213.0	1,428.5	1,280.8	1,212.5
<b>Re-Exports</b> .....	<b>2,587.6</b>	<b>2,072.7</b>	<b>2,102.1</b>	<b>1831.5</b>	<b>1,448.7</b>	<b>1,699.3</b>
U.A.E.....	974.8	570.3	544.7	428.4	384.9	504.3
Qatar.....	16.2	16.3	318.7	341.3	325.2	543.4
Others .....	1,596.8	1,486.1	1,238.7	1061.8	738.8	738.8
<b>Imports</b> .....	<b>11,153.3</b>	<b>8,900.2</b>	<b>9,937.5</b>	<b>9,703.7</b>	<b>8,492.2</b>	<b>7,973.4</b>
U.A.E.....	4,271.0	4,343.3	4,250.1	4,545.8	3,641.6	3,427.1
India .....	625.5	444.3	538.8	434.8	444.8	403.1
China .....	583.8	455.4	612.7	584.6	605.4	639.4
United States .....	561.5	417.3	405.3	317.3	254.5	230.1
Others .....	5,111.5	3,239.9	4,437.3	4,067.9	3,727.1	3,450.7

*Source: Directorate General of Customs—Royal Oman Police*

#### Note

(1) Preliminary. Subject to amendment and revision.

### Trade policy

Oman, a WTO Member since November 2000, grants at least most-favoured-nation (“MFN”) treatment to all its trading partners. Oman has never been directly involved in any dispute under the WTO but has reserved its third-party rights in a number of cases. Since January 2003, the GCC states have operated a common external tariff of 0% and 5% on most products. In addition, Oman applies a 100% tariff on imports of alcoholic beverages and pork products. Oman’s overall average MFN applied tariff is 5.5%.

### Five-Year Plan

A pillar of Oman’s Ninth Five-Year Plan (2016-2020) is diversification of the economy, and trade plays a major role in this programme. In order to stimulate trade and foreign investment, the Government has introduced a number of new legal frameworks to ease doing business in Oman, update the privatisation and public-private partnerships regimes and simplify laws relating to trade. See “*Public Finance—Legal Reforms and Innovations*”.

### Balance of Payments

#### Current Account

The current account registered a higher deficit of OMR 1,459 million in the second quarter of 2020 (representing 11.9% of GDP), as compared to a deficit of OMR 962 million for the same period in 2019 (representing 6.8% of GDP). The widening in the deficit was attributable to lower export revenues and increased income payments. The balance of services recorded a lower deficit of OMR 1,298 million in the second quarter of 2020, as compared to a deficit of OMR 1,552 million during the same period in 2019, mainly due to lower imports of travel and other services. The amount of outward remittances (including foreign workers’ remittances, as well as other types of transfers) decreased by 7.9% to OMR 1,604 million as at the end of June 2020, as compared to OMR 1,741 million during the same period in 2019. Outward remittances decreased primarily due to the high number of expatriate workers that left the country and lower wages as a result of the COVID-19 pandemic.

#### Capital Account and Financial Account

The net capital and financial account inflows during the second quarter of 2020 were slightly lower than the current account deficit, leading to an overall balance of payments deficit and drawdown in official international reserves of the country. Net inflows under the capital and financial account were mainly comprised of FDI and inflows. Net foreign

direct investment was approximately OMR 1,468 million in the second quarter of 2020, as compared with net foreign direct investment of OMR 1,104 million during the same period in 2019.

### **Balance of Payments and Change in Reserves**

A surplus of OMR 1,417 million on the capital and financial account in the second quarter of 2020 and the OMR 1,459 million deficit on the current account in the second quarter of 2020, along with associated net errors and omissions of OMR 123 million, resulted in an overall balance of payments deficit of OMR 165 million in the period.

According to preliminary figures, a surplus of OMR 2,977 million on the capital and financial account in 2020 and an OMR 3,330 million deficit on the current account in 2020, along with associated net errors and omission of OMR 525 million, resulted in an overall balance of payments deficit of OMR 877 million in 2020.

The following table summarises the balance of payments of Oman as at the dates indicated.

	As at 31 December					As at	Change
	2015	2016	2017	2018	2019 <sup>(1)</sup>	30 June 2020 <sup>(1)</sup>	2018/19
	(OMR millions)						(%)
<b>Current account</b> .....	<b>(4,207)</b>	<b>(4,821)</b>	<b>(4,222)</b>	<b>(1,649)</b>	<b>(1,639)</b>	<b>(1,459)</b>	<b>(3.5)</b>
<b>Goods</b> .....	<b>3,506</b>	<b>2,406</b>	<b>3,369</b>	<b>6,953</b>	<b>7,009</b>	<b>2,531</b>	<b>0.8</b>
Exports (FOB).....	13,720	10,591	12,644	16,045	14,875	6,126	(7.3)
Hydrocarbons.....	8,144	6,136	7,366	10,487	10,195	3,881	(2.8)
Oil.....	6,864	5,123	6,200	8,770	8,485	3,123	(3.2)
Crude.....	6,682	4,937	5,795	7,728	7,556	3,842	(2.2)
Refined Oil.....	182	187	405	1,042	929	282	(10.8)
Natural Gas.....	1,280	1,013	1,166	1,717	1,710	758	(0.4)
Other exports.....	3,004	2,399	3,176	3,727	3,231	1,409	(13.3)
Re-export (FOB).....	2,572	2,056	2,102	1,831	1,449	836	(20.9)
Imports (FOB).....	(10,214)	(8,185)	(9,275)	(9,092)	(7,866)	(3,595)	(13.5)
<b>Services</b> .....	<b>(2,622)</b>	<b>(2,468)</b>	<b>(2,600)</b>	<b>(2,745)</b>	<b>(2,774)</b>	<b>(1,298)</b>	<b>(0.7)</b>
Services (Credit).....	1,305	1,348	1,569	1,765	1,883	526	9.0
Travel.....	592	622	672	676	696	172	3.0
Transportation.....	483	505	670	834	912	201	13.2
Insurance.....	16	16	15	15	16	11	6.7
Communication.....	34	42	40	72	82	59	25.0
Other Services.....	180	163	172	168	177	83	5.4
Services (Debit).....	(3,927)	(3,816)	(4,169)	(4,510)	(4,657)	(1,824)	3.1
Travel.....	(679)	(822)	(898)	(977)	(1,013)	(320)	3.0
Transportation.....	(1,517)	(1,365)	(1,579)	(1,740)	(1,681)	(587)	(3.4)
Insurance.....	(387)	(361)	(394)	(409)	(414)	(215)	1.2
Communication.....	(44)	(47)	(47)	(77)	(93)	(61)	20.8
Other Services.....	(1,300)	(1,221)	(1,251)	(1,307)	(1,456)	(641)	11.4
<b>Balance on goods &amp; services</b> .....	<b>884</b>	<b>(62)</b>	<b>769</b>	<b>4,208</b>	<b>4,235</b>	<b>1,233</b>	<b>1.8</b>
<b>Income</b> .....	<b>(864)</b>	<b>(794)</b>	<b>(1,218)</b>	<b>(2,030)</b>	<b>(2,363)</b>	<b>(1,087)</b>	<b>16.3</b>
Income (Credit).....	258	372	385	449	457	221	1.8
Compensation of employees.....	15	15	15	15	15	7	0.0
Other Investment Income.....	243	357	370	434	442	214	1.8
Income (Debit).....	(1,122)	(1,166)	(1,603)	(2,478)	(2,819)	(1,308)	13.7
Direct Investment Income.....	(951)	(823)	(1,108)	(1,519)	(1,739)	(723)	14.5
Other Investment Income.....	(172)	(343)	(495)	(960)	(1,080)	(585)	12.4
<b>Balance on goods, services &amp; income</b> .....	<b>19</b>	<b>(856)</b>	<b>(449)</b>	<b>2,178</b>	<b>1,873</b>	<b>146</b>	<b>(11.8)</b>
<b>Current Transfers</b> .....	<b>(4,226)</b>	<b>(3,965)</b>	<b>(3,774)</b>	<b>(3,829)</b>	<b>(3,512)</b>	<b>(1,604)</b>	<b>(8.3)</b>
Current Transfer (Credit).....	—	—	—	—	—	—	—
Current Transfer (Debit).....	(4,226)	(3,965)	(3,774)	(3,829)	(3,512)	(1,604)	(8.3)
<b>Capital and Financial Account</b> .....	<b>4,618</b>	<b>1,614</b>	<b>3,406</b>	<b>2,986</b>	<b>1,547</b>	<b>1,417</b>	<b>(54.9)</b>
<b>Capital Account</b> .....	<b>209</b>	<b>198</b>	<b>99</b>	<b>40</b>	<b>44</b>	<b>8</b>	<b>10.0</b>
Grants (Credit).....	209	198	111	116	79.9	11	(52.6)
Grants (Debit).....	—	—	(12)	(76)	(10.8)	(3)	(85.5)



	As at 31 December					As at	Change 2018/19 (%)
	2015	2016	2017	2018	2019 <sup>(1)</sup>	30 June 2020 <sup>(1)</sup>	
	(OMR millions)						
<b>Financial Account</b> .....	<b>4,409</b>	<b>1,416</b>	<b>3,307</b>	<b>2,946</b>	<b>1,503</b>	<b>1,409</b>	<b>(55.8)</b>
Foreign Direct Investment .....	(964)	734	190	2,009	1,442	1,468	(46.5)
Assets (FSDI abroad).....	(129)	(137)	(932)	(275)	(241)	(94)	(12.4)
Liabilities (FDI in Oman).....	(835)	871	1,122	2,284	1,683	1,562	(42.4)
Portfolio Investment .....	329	1,923	2,417	2,614	453	17	(82.7)
Assets.....	(443)	143	(542)	(683)	(723)	126	5.9
Liabilities.....	772	1,780	2,959	3,297	1,176	(109)	(64.3)
Other Investment .....	5,044	(1,241)	700	(1,677)	(392)	(76)	(86.6)
Assets .....	2,717	(816)	(907)	(1,141)	(1577)	608	32.3
Trade Credit & other receivable .....	(33)	(129)	(145)	(188)	(175)	(70)	(6.9)
Currency & Deposit.....	105	292	23	(91)	(353)	525	287.9
Other Assets .....	2,645	(979)	(785)	(862)	(1,049)	153	13.9
Liabilities.....	2,329	(425)	1,608	(535)	1,185	(685)	(340.2)
Trade Credit & other Payables .....	31	(215)	(183)	(205)	(190)	(64)	(22.0)
Currency & Deposits .....	2,048	(2,110)	(107)	459	440	(189)	(4.1)
Loans .....	235	1,859	1,947	(764)	958	(374)	(234.6)
General Government (net).....	305	1,917	920	(133)	221	37	(266.2)
Other Sectors .....	(70)	(59)	1,027	(632)	736	(410)	(227.5)
Other Liabilities.....	15	41	(49)	(25)	(23)	(58)	(8.0)
<b>Net Errors &amp; Omissions</b> .....	<b>(176)</b>	<b>(486)</b>	<b>(245)</b>	<b>(347)</b>	<b>(473)</b>	<b>(123)</b>	<b>(15.3)</b>
<b>Overall balance</b> .....	<b>235</b>	<b>(3,615)</b>	<b>(1,066)</b>	<b>990</b>	<b>(540)</b>	<b>(165)</b>	<b>(154.5)</b>
<b>Reserves assets</b> .....	<b>(235)</b>	<b>3,615</b>	<b>1,066</b>	<b>(990)</b>	<b>540</b>	<b>165</b>	<b>(154.5)</b>
Central Bank.....	(547)	943	481	(705)	317	93	(145.0)
Government Reserves.....	312	2,672	585	(286)	223	72	(178.0)

Source: Directorate General of Customs—Royal Oman Police

#### Note

(1) Preliminary. Subject to amendment and revision.

#### Foreign Reserves Assets

Oman's foreign reserves assets are held partly by the CBO and partly by the OIA.

The following table sets forth Oman's total foreign reserves assets as at the dates indicated.

	As at 31 December					
	2015	2016	2017	2018	2019	2020
	(OMR millions, except months of imports and U.S.\$ figures)					
Central Bank of Oman .....	6,745.8	7,790.9	6,186.4	6,685.9	6,406.7	5,770.6
OIA.....	9,196.9	6,514.7	6,554.9	6,327.8	6,704.3	6,956
<b>Total</b> .....	<b>15,942.7</b>	<b>14,305.6</b>	<b>12,741.3</b>	<b>13,013.7</b>	<b>13,111.0</b>	<b>12,726.6</b>
In U.S.\$ .....	41,464	37,205	33,137.0	33,845.9	34,098.8	33,099.1
In months of imports (F.O.B.) <sup>(1)</sup> ...	18.7	21.0	16.5	17.2	20.0	20.9 <sup>(2)</sup>
Merchandise imports (F.O.B.).....	10,214.0	8,185.0	9,275.0	9,091.5	7,865.6	7,973.4

Source: Central Bank of Oman and Ministry of Finance

#### Notes

- Foreign exchange reserves in months of imports may differ from the figures published elsewhere. The figures in this line are based on imports (F.O.B.) rather than imports (C.I.F.). Import cover based on imports (F.O.B.) will always be higher than that based on imports (C.I.F.).
- Estimated. Derived using forex position as at 31 December 2020.

Oman's total foreign reserves were OMR 12,726.6 million as at 31 December 2020 and are free from any encumbrances. Approximately 54% of Oman's OIA reserves and approximately 46% of CBO reserves were held in U.S. Dollars as at 30 September 2020, and the Government intends to primarily maintain its foreign reserves in U.S. Dollars in the future.

### Central Bank of Oman's Foreign Reserves Assets

The gross foreign currency assets held by the CBO increased by 14.8% to OMR 6.6 billion as at 31 March 2021, as compared to OMR 5.8 billion as at 31 December 2020.

The following table sets forth the foreign reserves assets held by the CBO for the periods indicated.

	As at 31 December						As at 31
	2015	2016	2017	2018	2019	2020	March 2021
	(OMR millions)						
Gross Foreign Currency Assets.....	6,745.8	7,790.9	6,186.4	6,685.9	6,406.7	5,770.6	6,622.4
<i>Bullion</i> .....	0.4	0.4	0.5	0.4	0.5	0.7	0.6
<i>IMF Reserve Assets</i> .....	135.4	127.2	97.1	94.8	110.3	127.1	125.0
<i>Placements Abroad</i> .....	1,358.0	2,510.7	1,535.8	3,021.2	2,731.2	2,327.1	3,344.1
<i>Securities</i> .....	5,252.0	5,152.6	4,553.0	3,569.5	3,564.7	3,315.7	3,152.6
Foreign currency deposits from the Government.....	(386.2)	(1,155.9)	(774.4)	(851.9)	(1,401.4)	(1,017.5)	(1,253.9)
Foreign currency deposits from Omani banks.....	(300.8)	(796.6)	(568.7)	(1,157.8)	(286.5)	(222.8)	(137.3)
Other foreign liabilities <sup>(1)</sup> .....	(2,291)	(2,124)	(922)	(680)	(685)	(837)	(699.1)
<b>CBO's Net Foreign Assets</b> .....	<b>3,767</b>	<b>3,714</b>	<b>3,921</b>	<b>3,996</b>	<b>4,034</b>	<b>3,693</b>	<b>4,532</b>

Source: Central Bank of Oman

#### Note

(1) Figure includes non-residents, institutions and foreign exchange swaps.

### OIA

The following table sets forth the balance of the SGRF (currently known as OIA) as at the periods indicated. See "The Economy—Other Government Assets—Oman Investment Fund".

	As at 31 December						As at 31
	2015	2016	2017	2018	2019	2020	March 2021
	(OMR millions)						
Opening balance.....	9,640.5	9,659.5	8,387.3	8,568.1	7,956.0	16,181	16,181
Closing balance.....	9,659.5	8,387.3	8,568.1	7,956.0	8,285.8	16,695	16,172
<b>Memorandum items</b>							
Fund resources.....	9,659.5	8,387.3	8,568.1	7,957.0	8,285.9	16,695	16,172
<i>Central Bank of Oman</i> .....	0.0	1,072.1	1,170.2	398.0	192.3	392	396
<i>Resident commercial banks</i> .....	291.4	435.1	524.8	765.0	930.9	653	681
<i>Muscat Stock Exchange</i> .....	177.5	176.3	154.0	316.0	459.8	8,621	8,604
<i>Foreign banks and institutions</i> .....	9,196.88	6,703.8	6,719.0	6,478.0	6,702.9	7,029	6,491

Sources: Ministry of Finance and Central Bank of Oman

No cash transfers were made from the Ministry of Finance to the SGRF in 2015, 2016, 2017, 2018, 2019 or 2020. Transfers were made from the SGRF to the Ministry of Finance, in line with the relevant budgets, of OMR 0.5 billion, OMR 0.3 billion and OMR 0.5 billion in 2017, 2018 and 2019, respectively.

### Other Government Assets

#### Petroleum Reserve Fund

The Petroleum Reserve Fund was established in 1993. Prior to 2018, its resources were designated for hydrocarbon investment inside and outside Oman. In 2018, it was re-designated as a contingency reserve fund for servicing debt. On

average, oil revenues equivalent to the value of 20,000 barrels per day are transferred to the Petroleum Reserve Fund on an annual basis.

The Petroleum Reserve Fund is not considered part of the total foreign reserves assets.

The following table sets forth the balance of the Petroleum Reserve Fund as at the dates indicated.

	As at 31 December						As at 30
	2015	2016	2017	2018	2019	2020	April 2021
	<i>(OMR millions)</i>						
Opening balance .....	117.0	216.9	127.9	128.0	581.7	988.1	566.2
Transfers .....	99.9	(89)	0.0	453.7	407.4	(421.9)	300.8
Closing balance .....	216.9	127.9	127.9	581.7	988.1	566.2	867.0

*Source: Ministry of Finance*

### ***Infrastructure Project Finance Account (IPF) or Infrastructure Development Account***

The IPF was formed in April 2003 in accordance with the directives of the Financial Affairs Energy Resources Council. The IPF is funded from budgetary surpluses and its objective is to ensure sufficient funds are available for infrastructure-related projects in Oman. As at 31 December 2020, the balance outstanding was OMR 7.5 million. The IPF is not considered part of the total foreign reserves assets.

### ***Oman Investment Fund (OIF)***

The OIF was established under Royal Decree № 14/2006 in March 2006 and was wholly-owned by the Government. The OIF was funded primarily from budgetary surpluses and its principal objective was to invest in long and medium-term projects in the industrial and services sectors within and outside Oman, with the aim of maximising returns whilst managing an acceptable degree of risk. The OIF's assets are not considered part of the total foreign reserves assets. The OIF now forms part of the consolidated OIA entity established by Royal Decree № 61/2020.

In December 2016, as part of broader strategy to transfer the Government's holdings in certain private entities to holding companies, including the OIF and SGRF, Oman transferred its 51% stake in Omantel, the country's incumbent telecoms operator, from the Ministry of Finance to the OIF. The announcement was made in a disclosure to the Muscat Stock Exchange. The proceeds of OMR 287 million were used to purchase foreign reserves designated for deficit financing (although at present, the Government does not have any immediate intention for further such transfers for the purposes of deficit financing).

### ***Government deposits in the domestic banking sector***

As at 30 November 2020, Government deposits within conventional commercial banks totalled OMR 4,392.9 million, a decrease of 18.5% as compared to OMR 5,389.1 million as at 31 December 2019. As at 31 March 2021, Government deposits within conventional commercial banks totalled OMR 5,663 million.

### **Government Financial Assets**

According to preliminary figures, as at 31 March 2021, total Government financial assets were OMR 28,465 million, of which: (i) OMR 6,622 million was financial assets of the CBO (of which OMR 833 million were those of the Petroleum Reserve Fund); (ii) OMR 16,172 was financial assets of the OIA (of which liquid assets were OMR 5,107 million, in turn, denominated 79% in U.S. Dollars, 18% in Omani Rials and 2% in other currencies); (iii) OMR 8 million was financial assets of the Infrastructure Project Finance Account (as at August 2020); and (iv) OMR 5,663 million was Government deposits in the domestic banking sector.

### **Foreign Direct Investment**

In recent years, the Government has introduced a number of legislative and institutional reforms aimed at improving Oman's investment climate and attracting both domestic and foreign investment. The Government has sought to address constraints historically affecting inbound investment into Oman. FDI has been accelerating in recent years, in particular due to the development of the Duqm Special Economic Zone, which involves the construction of a port, an airport, a refinery and tourist facilities. According to data from the Special Economic Zone, the Duqm area alone has attracted U.S.\$14 billion of investments.

In order to modernise the relevant regulatory regime and encourage increased investment in Oman, the Ministry of Commerce, Industry and Investment Promotion has replaced the previous Foreign Capital Investment Law (Royal Decree № 102/1994) with a new Foreign Capital Investment Law (Royal Decree № 50/2019), which came into force on 7 January 2020 (the “**FCIL**”). Under the FCIL, it is now permissible for Omani companies to be 100% owned by foreign holders, with the exception of companies practicing certain restricted activities. As well as relaxing restrictions on foreign investment, the FCIL has streamlined registration and licensing procedures for foreign investors and aligned their rights and incentives with those given to local investors.

In June 2021, the Ministry of Commerce published its General Directorate of Industry Investment Opportunities, which describes 50 investment opportunities in the mining and industrial sector, aimed at attracting foreign direct investment. The General Directorate sets out a description of each project, as well as the targeted equity investment and return for each project.

Net FDI inflows decreased from OMR 2.2 billion in the year ended 31 December 2018 to OMR 1.1 billion in the year ended 31 December 2019. The decrease in net FDI was primarily due to higher outflows of FDI from Oman, partially offset by higher inflows.

### **FDI By Industry**

Oil and gas exploration accounts for the largest share of FDI (66.8% in 2019) into Oman, followed by manufacturing (11.4% in 2019) and financial intermediation (9.7% in 2019).

The table below sets out foreign direct investment in the Sultanate by industry for the periods indicated.

	<b>For the year ended 31 December</b>						<b>Change</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2019/2020</b>
	<i>(OMR millions)</i>						<i>(%)</i>
Oil and Gas Exploration .....	2,982	3,979	6,299	8,540	9,746	10,283	5.5%
Financial Intermediation <sup>(1)</sup> .....	1,377	1,437	1,475	1,452	1,410	1,473	4.5%
Manufacturing .....	1,039	1,050	1,134	1,149	1,661	1,637	(1.4)%
Real Estate.....	536	619	639	621	764	1,149	50.4%
Transport, Storage and Communications.....	257	267	271	298	284	n/a	n/a
Trade .....	262	279	279	254	266	n/a	n/a
Construction .....	147	141	164	126	189	n/a	n/a
Hotels and Restaurants .....	161	158	153	128	118	n/a	n/a
Electricity and Water.....	76	83	83	61	76	n/a	n/a
Other.....	54	67	166	65	74	1,319	1,682.6%
<b>Total.....</b>	<b>6,891</b>	<b>8,079</b>	<b>10,662</b>	<b>12,694</b>	<b>14,587</b>	<b>15,862</b>	<b>8.7%</b>

Source: Ministry of Finance

#### **Note**

(1) The Financial Intermediation figures for the years 2017 to 2020 are preliminary.

## FDI By Country

The table below sets out foreign direct investment in the Sultanate by country for the periods indicated.

	For the year ended 31 December						Change
	2015	2016	2017	2018	2019	2020	2019-2020
	<i>(OMR millions)</i>						<i>(%)</i>
United Kingdom.....	2,571	3,498	5,217	6,625	7,583	7,861	3.7%
U.A.E.....	846	986	1,051	1,034	1,192	1,265	6.1%
United States.....	255	245	786	1,553	1,802	1,889	4.8%
Kuwait.....	388	412	431	387	843	950	12.7%
Qatar.....	366	392	386	328	356	389	9.2%
Bahrain.....	312	348	331	363	401	402	0.2%
Switzerland.....	288	274	288	233	260	251	(3.4)%
India.....	281	239	281	251	326	321	(1.6)%
Netherlands.....	254	248	276	255	304	283	(6.9)%
Other.....	1,330	1,437	1,615	1,665	1,520	2,252	48.2%
<b>Total.....</b>	<b>6,891</b>	<b>8,079</b>	<b>10,662</b>	<b>12,694</b>	<b>14,587</b>	<b>15,862</b>	<b>8.7%</b>

Source: Ministry of Finance

# MONETARY POLICY AND FINANCIAL SYSTEM

## The Central Bank of Oman

The CBO was established in December 1974 (commencing operations on 1 April 1975) and is the monetary authority in Oman. The Banking Law 1974 (as amended by Royal Decree № 114/2000 and as further amended, the “**Banking Law**”) sets out the CBO’s functions and responsibilities, which, in addition to the formulation and implementation of monetary policy, includes serving as the single integrated regulator responsible for regulation and supervision of the banking and financial system (including the implementation of Basel III) and the management of certain transactions on behalf of the Government. The CBO licenses, regulates and supervises commercial banks, specialised banks, financial and leasing companies and money exchange companies and sets monetary policy independently after consulting with the Government about its fiscal policy objectives. The CBO also provides advice to the Government on economic policy.

The management of the CBO is conducted by the Chairman of the Board of Governors of the CBO, the Board of Governors and the Executive President of the CBO. The Chairman of the Board of Governors, each of the Board of Governors and the Executive President are appointed by His Majesty Sultan Haitham bin Tarik. The members of the Board of Governors are appointed for five-year terms. On 21 August 2020, pursuant to Royal Decree № 112/2020, His Highness Sayyid Taimur bin Asa’ad bin Tariq Al Said was appointed as chairman of the Central Bank Board of Governors, a position which was previously held by his Majesty Sultan Haitham bin Tarik. The Banking Law empowers the Board of Governors to oversee the performance of all regulatory and policy related central banking functions in Oman. The CBO sets monetary policy independently after consulting with the Government about its fiscal policy objectives.

The primary function of the CBO is to maintain the stability of the national currency, which is pegged to the U.S. Dollar, and the national banking system. See “—*Exchange Rate Policy*”. In order to meet this responsibility, the CBO regulates the quantity of money in circulation, the general liquidity of commercial banks and the foreign currency payments of the banking system. The CBO coordinates with the Ministry of Finance with respect to the issuance of treasury bills and GDBs, including the principal amount of such instruments to be issued, interest rates and maturities. See “—*Monetary Policy*”.

The following table sets forth the CBO balance sheet data as at 31 December for the six years from 2015 to 2020.

	As at 31 December						Change 2019 - 2020
	2015	2016	2017	2018	2019	2020 <sup>(1)</sup>	
	(OMR millions)						(%)
Foreign Assets.....	6,745	7,791	6,186	6,686	6,406	5,771	(9.9)
<i>Billion</i> .....	0.4	0.4	0.5	0.4	0.5	0.7	40.0
<i>IMF Reserve assets</i> .....	135	127	97	95	110	127	15.5
<i>Placements abroad</i> .....	1,358	2,511	1,536	3,021	2,731	2,327	(14.8)
<i>Securities</i> .....	5,252	5,153	4,553	3,570	3,565	3,316	(7.0)
Due from Government .....	658	727	566	776	779	871	11.8
Due from banks <sup>(2)</sup> .....	0.0	0.0	0.0	0.0	0.1	65	—
IMF Currency Quota	84	205	255	249	232	229	(1.3)
Fixed Assets .....	36	37	44	44	45	45	0.0
Other Assets .....	64	106	127	76	59	58	(1.7)
<b>Total Assets</b> .....	<b>7,589</b>	<b>8,866</b>	<b>7,179</b>	<b>7,831</b>	<b>7,522</b>	<b>7,038</b>	<b>(6.4)</b>
Currency Issued.....	1,788	1,647	1,638	1,605	1,612	1,737	7.8
Net Worth.....	1,305	1,293	1,433	1,440	1,493	1,676	12.3
<i>Capital</i> .....	760	760	1,000	1,000	1,000	1,000	0.0
<i>General Reserves</i> .....	439	439	249	323	366	426	16.4
<i>Others</i> .....	106	94	184	117	128	250	95.3
Due to Government .....	474	1,162	776	1,237	1,403	1,018	(27.4)
Due to banks .....	3,824	2,414	2,128	2,598	2,002	1,540	(23.1)
Foreign Liabilities <sup>(3)</sup> .....	96	2,127	923	682	686	761	10.9
IMF R.O. Holding	84	205	255	249	232	229	(1.3)
Other Liabilities .....	18	17	27	20	95	78	(17.9)
<b>Total Liabilities</b> .....	<b>7,589</b>	<b>8,866</b>	<b>7,179</b>	<b>7,831</b>	<b>7,522</b>	<b>7,038</b>	<b>(6.4)</b>

Source: Ministry of Finance

### Notes

- (1) Includes U.S. Dollar liquidity support scheme for local banks. See “*Response to COVID-19*”.
- (2) Includes SDR allocations.

The Central Bank of Oman's total assets decreased to OMR 7,038 million as at 31 December 2020, as compared to OMR 7,522 million as at 31 December 2019. The CBO's total foreign assets decreased to OMR 5,771 million as at 31 December 2020, as compared to OMR 6,406 million as at 31 December 2019, principally due to a decrease of CBO placements abroad. As at 31 March 2021, the CBO's total assets were OMR 7,058 million and the CBO's total foreign assets were OMR 6,622 million.

The CBO's assets have generally been declining since 2016 in order to fund the deficit in the balance of payments. See "*External Sector—Balance of Payments*".

## **Monetary Policy**

The currency peg, combined with the absence of any exchange restrictions for international current and capital transactions, limits the CBO's ability to conduct an independent monetary policy. See "*—Exchange Rate Policy*". Accordingly, the main objective of the CBO's monetary policy is the regulation of bank liquidity with a view to ensuring price stability. In view of the fixed exchange rate regime, the CBO does not set any specific targets for monetary variables. The Banking Law limits the ability of the Government to monetise its fiscal deficits with the CBO; loans and advances plus the face value of outstanding treasury bills by the CBO are legally restricted to a maximum of 10% of the budgeted recurrent revenue of the Government for the fiscal year in which such loans and advances are made and provided that any advance made shall be entirely repaid within 90 days.

The CBO has the legal authority to use a broad range of monetary policy instruments, the most important of which is open market operations using treasury bills issued by the CBO on behalf of the government. The Government has issued treasury bills since 1987. Since August 1991, the Government has also issued GDBs (with fixed interest rates) through the CBO with maturities of two to ten years. GDBs are generally sold to domestic purchasers but have also been placed with foreign investors.

The CBO imposes a maximum limit on licensed banks' investment in GDBs and Sukuk issued by the Government. In March 2020, the maximum limit was raised from 45% of each bank's net worth (the amount by which the bank's assets exceed its liabilities) to 50% of each bank's net worth, with the incremental 5% to allow for investment in sovereign GDBs and sovereign Sukuk denominated in foreign currency bonds.

The CBO sets minimum reserve requirements for commercial banks, currently 5% of the deposit base. Oman's 5% reserve requirement is largely in line with that of other GCC central banks region; Qatar's reserve requirement is 4.5%, and the U.A.E.'s is 7%. With a view to augment bank liquidity, as of April 2016, banks have been allowed to include investments in unencumbered treasury bills, GDBs and Government Sukuk as part of the eligible reserves up to a maximum of 2% of deposits.

In addition, the CBO sets a loans-to-deposits ratio limit applicable to commercial banks. This is currently set at 92.5% of the deposit base plus net balances due to banks and capital. Since the lending ratio is likely to be an important constraining factor in the behaviour of many banks, changes in the lending ratio will affect bank liquidity and the capacity of the banking system to engage in monetary and credit expansion. The ratio was last changed in March 2020 in response to the COVID-19 pandemic. See "*Response to COVID-19*".

The CBO rediscounts bills of exchange which have been accepted by banks, promissory notes with a maturity not exceeding 90 days and certain types of commercial paper. Individual bank access to the facility is subject to a ceiling that is set annually. Since the introduction of a rediscount facility in 1978, the rates on different types of commercial paper have been changed depending on the CBO's monetary policy stance at the time. Since 2008, the rediscount rate on commercial paper has been fairly stable, ranging between 4% and 4.75% depending on the degree of risk attached to such commercial paper. In March 2020, the rate has been reduced and varied as follows: (i) to 3.00% for bills of exchange and promissory notes (with two signatures); (ii) to 3.25% for promissory notes with guarantee; and (iii) to 3.50% for promissory notes with trust receipt.

Other monetary policy instruments include foreign exchange exposure limits, currency swaps and the issuance of certificates of deposit. For example, since March 1980, the CBO has offered U.S. Dollar swaps to commercial banks. The CBO currently imposes a cost on these swaps to discourage banks from running short foreign exchange positions to profit from the spread between Omani Rial and U.S. Dollar interest rates, intending that banks should use these swaps mainly to obtain short-term liquidity. Furthermore, in order to absorb excess liquidity, the CBO can also issue certificates of deposit with maturities of 28 days to commercial banks.

## Exchange Rate Policy

The exchange rate of the Omani Rial has been pegged to the U.S. Dollar since 1973 and has remained unchanged at U.S.\$2.6008 per Omani Rial since 1986, aiding monetary stability. Since mid-2014, the Omani Rial has appreciated (in trade-weighted terms) against the currencies of Oman’s major import partners in line with the U.S. Dollar.

See “Risk Factors—Risk Factors in relation to the Issuer—Any adjustment to, or ending of, Oman’s currency peg could negatively affect the economy and Government finances”.

The following table sets forth the Nominal Effective Exchange Rate Index against a basket of the currencies of Oman’s 18 largest import partners for the periods indicated. Oman’s 18 largest import partners did not change over the relevant periods.

End of Period	Weighted Average <sup>(1)</sup>	Simple Average
	<i>(Base: 1999 levels = 100)</i>	
<b>2016</b>		
January .....	106.0	105.6
February .....	105.0	105.3
March .....	103.1	101.8
April .....	102.5	101.5
May .....	103.5	103.3
June .....	102.7	103.0
July .....	102.6	102.9
August .....	102.6	102.9
September .....	102.6	102.5
October .....	103.9	104.7
November .....	106.1	107.2
December .....	107.3	108.4
<b>2017</b>		
January .....	103.9	106.4
February .....	103.8	106.5
March .....	103.0	105.4
April .....	102.5	104.7
May .....	102.0	103.7
June .....	102.1	103.9
July .....	100.6	101.3
August .....	100.1	100.5
September .....	101.1	101.7
October .....	101.3	102.1
November .....	100.4	100.9
December .....	100.2	100.7
<b>2018</b>		
January .....	100.4	98.3
February .....	100.8	99.6
March .....	100.6	99.8
April .....	101.7	101.2
May .....	102.7	102.8
June .....	104.5	103.5
July .....	103.7	105.3
August .....	103.6	104.8
September .....	104.3	105.2
October .....	105.6	108.5
November .....	105.0	107.4
December .....	104.6	107.8
<b>2019</b>		
January .....	104.0	107.2
February .....	104.6	107.7
March .....	104.9	108.3
April .....	105.3	109.1
May .....	105.5	110.7
June .....	104.7	110.1
July .....	105.6	111.7
August .....	105.8	112.6



<b>End of Period</b>	<b>Weighted Average<sup>(1)</sup></b>	<b>Simple Average</b>
	<i>(Base: 1999 levels = 100)</i>	
September.....	106.1	112.4
October.....	105.2	110.9
November.....	105.8	111.5
December.....	105.0	110.1
<b>2020</b>		
January.....	105.6	111.2
February.....	106.3	112.3
March.....	106.9	114.7
April.....	106.6	113.9
May.....	106.5	113.4
June.....	106.1	113.0
July.....	104.1	110.0
August.....	103.5	109.0
September.....	104.0	109.8
October.....	104.0	109.4
November.....	102.8	107.3
December.....	101.8	105.7
<b>2021</b>		
January.....	102.5	106.7
February.....	102.6	106.4
March.....	103.9	107.6

*Source: Central Bank of Oman*

**Note**

(1) Weighted average of the exchange rates is calculated on the basis of foreign currency units per Omani Rial. Foreign currency units of Oman's largest 18 import partners are included in the index. Monthly indices for each year are based on weights derived from the import values of the year 2004 and are chain linked. A rise in the index indicates an appreciation of the Omani Rial.

## Money Supply

As at 31 December 2020, the narrow measure of money (“M1”), which comprises local currency held by the public and local currency demand deposits, was OMR 5,561.8 million, an increase of 4.1% as compared to OMR 5,343.9 million as at 31 December 2019. The increase was primarily as a result of an increase in demand for the currency with the public. As at 31 December 2020, growth in broad money (M2), which comprises M1 plus savings, time and foreign currency deposits and margins (quasi money), increased by 8.9%, to OMR 19,337.2 million from OMR 17,751.7 million as at 31 December 2019.

The following table sets forth a survey of money aggregates as at each quarter’s end from 2015 to 2021.

	Currency with Public	Demand Deposits	Money Supply (M1)	Change in M1	Quasi Money <sup>(2)</sup>	Money Supply (M2)	Change in M2
<i>(OMR millions, except percentages)</i>							
<b>2015</b>							
March .....	1,216.2	4,058.8	5,275.0	13.1%	9,116.7	14,391.7	11.9%
June .....	1,261.6	4,139.9	5,401.5	12.8%	9,354.4	14,755.9	11.0%
September .....	1,282.3	3,959.3	5,241.6	16.8%	9,478.5	14,720.1	11.1%
December .....	1,395.3	3,973.0	5,368.3	11.7%	9,777.4	15,145.7	10.0%
<b>2016</b>							
March .....	1,314.7	4,109.3	5,424.0	2.8%	10,103.0	15,526.9	7.9%
June .....	1,369.3	3,985.5	5,354.8	(0.9)%	10,190.6	15,545.4	5.4%
September .....	1,316.0	3,837.9	5,154.0	(1.7)%	10,385.7	15,539.7	5.6%
December .....	1,299.3	3,679.4	4,978.7	(7.3)%	10,445.2	15,423.8	1.8%
<b>2017</b>							
March .....	1,300.6	3,827.7	5,128.3	(5.5)%	10,873.8	16,002.1	3.1%
June .....	1,487.6	3,936.7	5,424.3	1.3%	10,706.4	16,130.7	3.8%
September .....	1,282.7	3,754.5	5,037.2	(2.3)%	11,071.8	16,109.0	3.7%
December .....	1,266.2	3,674.4	4,940.6	(0.8)%	11,128.3	16,068.8	4.2%
<b>2018</b>							
March .....	1,286.5	3,998.0	5,284.5	3.0%	11,160.1	16,444.6	2.8%
June .....	1,310.8	3,944.4	5,255.3	(3.1)%	11,363.3	16,618.6	3.0%
September .....	1,237.8	3,839.8	5,077.6	0.8%	11,453.3	16,530.9	2.6%
December .....	1,241.9	3,688.3	4,925.5	(0.3)%	12,470.2	17,400.3	8.3%
<b>2019</b>							
March .....	1,276.2	3,835.6	5,111.8	(3.3)%	11,998.2	17,110.0	4.0%
June .....	1,305.2	3,954.3	5,259.5	0.1%	12,016.3	17,275.7	4.0%
September .....	1,222.6	3,812.9	5,035.5	(0.8)%	12,355.7	17,391.2	5.2%
December .....	1,244.8	4,099.1	5,343.9	8.5%	12,407.8	17,751.7	2.0%
<b>2020</b>							
March .....	1,336.9	4,302.7	5,639.6	10.3%	13,213.8	18,853.5	10.2%
June .....	1,452.3	4,122.2	5,574.5	5.9%	13,263.7	18,838.2	9.0%
September .....	1,419.8	4,292.1	5,711.9	13.4%	13,594.9	19,306.8	11.0%
December <sup>(3)</sup> .....	1,378.6	4,183.1	5,561.8	4.1%	13,775.4	19,337.2	8.9%
<b>2021</b>							
March <sup>(3)</sup> .....	1,364.8	4,328.5	5,693.4	1.0%	14,150.4	19,843.8	5.3%

Source: Central Bank of Oman

### Notes

- (1) Includes conventional banks and Islamic banks and windows.
- (2) Quasi Money is the aggregate of Omani Rial time and savings deposits, certificates of deposit issued by commercial banks, margins and foreign currency deposits.
- (3) Preliminary.

The following table sets forth certain monetary indicators for Oman by type of expenditure as at 31 December for the years from 2015 to 2020.

	As at 31 December						Change 2019 -		
	2015	2016	2017	2018	2019	2020 <sup>(2)</sup>	2020 <sup>(2)</sup>		
	<i>(OMR millions, except percentages)</i>								
<b>Broad money</b> .....	<b>15,145.7</b>	<b>15,423.7</b>	<b>16,068.7</b>	<b>17,400.3</b>	<b>17,751.7</b>	<b>19,337.2</b>	<b>1,585.5</b>	<b>8.9%</b>	
<b>Money</b> <sup>(1)</sup> .....	<b>5,368.3</b>	<b>4,978.8</b>	<b>4,940.5</b>	<b>4,930.2</b>	<b>5,343.9</b>	<b>5,561.9</b>	<b>218.0</b>	<b>4.1%</b>	
Currency with public .....	1,395.3	1,299.4	1,266.2	1,241.9	1,244.8	1,378.6	133.8	10.7%	
Demand deposits in OMR .....	3,973.0	3,679.4	3,674.3	3,688.3	4,099.1	4,183.1	84.0	2.0%	
<b>Quasi Money</b> .....	<b>9,777.4</b>	<b>10,444.9</b>	<b>11,128.2</b>	<b>12,470.2</b>	<b>12,407.8</b>	<b>13,775.4</b>	<b>1,367.6</b>	<b>11.0%</b>	
of which, foreign currency deposits.....	(1,169.7)	(1,072.0)	(1,181.0)	(2,142.0)	(1,765.0)	(1,896.6)	(131.6)	7.5%	
<b>Foreign Assets (net)</b> .....	<b>4,608.4</b>	<b>4,567.1</b>	<b>4,319.6</b>	<b>5,134.8</b>	<b>4,951.1</b>	<b>3,544.8</b>	<b>(1,406.3)</b>	<b>(28.4)%</b>	
Central Bank.....	6,649.9	5,663.9	5,263.5	6,004.3	5,720.8	5,010.1	(710.7)	(12.4)%	
Other Depository Corporations .....	(2,041.5)	(1,096.)	(943.9)	(869.5)	(769.6)	(1,465.2)	(695.6)	90.4%	
<b>Domestic Assets</b> .....	<b>10,537.3</b>	<b>10,856.7</b>	<b>11,749.1</b>	<b>12,265.6</b>	<b>12,800.6</b>	<b>15,792.4</b>	2,991.8	<b>23.4%</b>	
<b>Claims on Government (net)</b> .....	<b>(3,224.5)</b>	<b>(4,548.0)</b>	<b>(4,594.6)</b>	<b>(5,046.7)</b>	<b>(4,647.2)</b>	<b>(2,060.8)</b>	2,586.4	<b>(55.7)%</b>	
Government borrowings.....	2,628.8	2,538.0	2,544.9	2,833.1	3,401.7	4,558.7	1,157.0	34.0%	
Government deposits.....	5,853.3	7,086.0	7,139.5	7,879.7	8,048.9	6,619.4	(1,429.5)	(17.8)%	
<b>Domestic claims on Private Sector</b> ..	<b>18,185.8</b>	<b>19,985.6</b>	<b>21,255.4</b>	<b>22,337.5</b>	<b>22,951.0</b>	<b>23,155.7</b>	204.7	<b>0.9%</b>	
<b>Claims on Public enterprises</b> .....	<b>1,982.3</b>	<b>2,098.3</b>	<b>2,338.9</b>	<b>2,663.6</b>	<b>2,724.7</b>	<b>3,141.7</b>	417.0	<b>15.3%</b>	
<b>Other items (net)</b> .....	<b>6,406.3</b>	<b>6,679.2</b>	<b>7,250.6</b>	<b>7,688.8</b>	<b>8,227.9</b>	<b>8,444.3</b>	216.4	<b>2.8%</b>	
Central Bank.....	5,438.8	3,929.3	3,787.7	4,300.7	3,852.4	3,484.0	(368.4)	(9.6)%	
Other Depository Corporations .....	967.5	2,750.0	3,462.9	3,388.1	4,375.5	4,960.3	584.8	13.4%	

Source: Central Bank of Oman

#### Notes

- (1) Monetary survey aggregates includes conventional banks and Islamic banks and windows.  
(2) Preliminary.

## Inflation

Inflation remains low, which is attributable to the decline in commodities prices, reduced Government spending and the appreciation of the U.S. Dollar in real terms, and therefore the Rial, against other currencies since mid-2014.

The annual inflation rate, as measured by movements in the average consumer price index for Oman, recorded year-on-year negative growth of (1.5)% as at 31 December 2020, as compared to positive growth of 0.1% as at 31 December 2019, 1.0% for 2018, 1.6% for 2017, 1.1% for 2016 and 0.1% for 2015. The NCSI also publishes inflation figures for Muscat, which also experienced deflation at 1.1% in December 2020.

The following table sets forth the general price index for Oman by items of consumption as at the dates indicated.

Items of Consumption	Weight (%)	As at 31 December					As at	Change	
		2015	2016	2017	2018	2019	2020	30 April 2021	Dec 2019/ 2020
		(Average prices for 2012 = 100, except percentages)							(%)
<b>Food and non-alcoholic</b>									
beverages.....	23.9%	103.7	102.5	103.0	102.3	103.6	104.2	104.2	0.6%
<i>Bread and cereals</i> .....	3.0%	101.3	99.5	99.1	99.3	99.4	98.9	100.9	(0.5)%
<i>Meat</i> .....	6.1%	103.1	103.2	103.6	104.1	103.6	104.6	104.9	1.0%
<i>Fish and seafood</i> .....	2.2%	105.3	101.3	103.8	100.9	103.2	99.2	86.9	(3.9)%
<i>Milk, cheese and eggs</i> .....	2.9%	101.5	100.4	99.8	100.9	101.5	100.6	101.9	(0.9)%
<i>Oil and fats</i> .....	0.7%	100.0	99.4	99.3	99.9	100.0	101.0	101.9	1.0%
<i>Fruits</i> .....	2.8%	107.8	106.3	107.5	106.0	106.7	106.1	109.5	(0.6)%
<i>Vegetables</i> .....	2.5%	108.2	104.6	106.3	99.1	102.2	100.9	99.5	(1.3)%
<i>Sugar, jam, honey and</i> <i>confectionery</i> .....	1.1%	100.3	100.6	101.1	101.9	102.2	102.4	103.8	0.2%
<i>Food products n.e.c.</i> .....	0.5%	101.3	101.2	100.8	100.5	100.6	101.1	103.0	0.5%
<i>Non-alcoholic beverages</i> .....	2.0%	103.2	103.6	103.9	105.6	112.9	126.3	129.3	11.9%
Tobacco.....	0.1%	106.1	112.3	131.9	132.0	193.0	254.0	264.4	31.6%
Clothing and footwear.....	6.0%	100.6	100.4	100.4	99.8	98.7	96.8	97.8	(1.9)%
Housing, water, electricity, gas and other fuels.....	26.5%	102.0	102.7	104.4	104.9	104.7	104.2	104.3	(0.5)%
Furnishings, household equipment and routing household maintenance.....	3.8%	109.5	110.1	113.3	113.7	119.2	119.0	120.7	(0.2)%
Health.....	1.2%	110.2	111.5	111.8	108.8	108.4	109.1	109.1	0.6%
Transport.....	19.2%	99.9	105.9	110.6	115.2	114.1	105.7	114.3	(7.4)%
Communication .....	5.6%	98.3	97.9	95.6	95.4	95.1	95.0	94.9	(0.1)%
Recreation and culture.....	1.1%	98.7	98.4	98.7	98.4	98.9	99.0	100.6	0.1%
Education .....	1.4%	114.8	118.2	122.2	127.3	129.9	132.2	132.2	1.8%
Restaurant and hotels .....	6.1%	102.5	102.8	103.0	103.3	103.7	104.0	103.9	0.3%
Miscellaneous goods and services.....	5.2%	100.2	100.4	102.0	102.9	100.2	99.8	102.0	(0.4)%
<b>General Price Index (%)</b> .....	<b>100.0%</b>	<b>102.2%</b>	<b>103.3%</b>	<b>104.9%</b>	<b>105.9%</b>	<b>106.0%</b>	<b>104.4%</b>	<b>106.4%</b>	<b>(1.5)%</b>

Source: National Center for Statistics & Information, Directorate General of Economic Statistic, Monthly Surveys of Consumption Goods.

### Notes

- (1) The weights are produced from the Household Expenditure and Income Survey, 2008-2010
- (2) Data collected from all regions of Oman excluding Musandam Governorate and Al Wushta Region
- (3) The collection is based on 36,428 items of goods and services from 1,526 selected sources, while rent is collected from a sample of 1,150 rented units.

## Banking System

### Conventional Banks

There are 16 conventional commercial banks, which are the main institutions in the Omani financial system. In July 2020, Oman Arab Bank (the “OAB”) acquired Alizz Islamic Bank SAOG and integrated OAB’s Islamic window “Al Yusr” with Alizz Islamic Bank and transformed it into a closed joint stock company, thus making Alizz Islamic Bank SAOC a wholly-owned Islamic banking subsidiary of OAB.

Total consolidated assets of conventional commercial banks increased by 0.9% to OMR 31,085.4 million as at 31 December 2020, as compared to OMR 30,806.4 million as at 31 December 2019. As at 31 March 2021, total consolidated assets of conventional commercial banks were OMR 32,005 million.

Of the total assets, credit disbursement accounted for 71.8% of the total and increased by 2.2% as at 31 December 2020 to OMR 22,331.4 million, as compared to OMR 21,864.2 million as at 31 December 2019.

Credit to the private sector decreased by 0.7% to OMR 18,772.3 million as at 31 December 2020 as compared to OMR 18,898.5 million as at 31 December 2019. Conventional banks’ overall investments in securities increased by 20.2% to OMR 4,290.3 million as at 31 December 2020 from OMR 3,568.6 million as at 31 December 2019.

Investment in GDBs and Sukuk increased by 10.6% to OMR 1,798.5 million as at 31 December 2020 from OMR 1,626.8 million as at 31 December 2019. Banks also invested OMR 512 million in Government Treasury Bills as at 31 December 2020. Conventional banks’ investments in foreign securities stood at OMR 1,149.1 million as at 31 December 2020, registering an increase of 1.9% compared to 31 December 2019.

The following table sets forth key conventional banking indicators as at the dates indicated.

	As at 31 December					
	2015	2016	2017	2018	2019	2020
	<i>(OMR millions)</i>					
Total Assets.....	28,189.2	27,051.8	27,913.1	29,994.7	30,806.4	31,085.4
Total Credit .....	18,315.7	19,704.6	20,511.5	21,486.0	21,846.2	22,331.4
<i>of which, foreign currency loans.....</i>	<i>2,453.2</i>	<i>2,783.7</i>	<i>3,110.9</i>	<i>3,434.1</i>	<i>3,643.3</i>	<i>4,071.1</i>
Total Deposits .....	17,873.0	18,253.7	18,601.7	19,995.8	20,062.1	20,377.0
<i>of which: foreign currency deposits.....</i>	<i>2,218.5</i>	<i>2,137.8</i>	<i>2,057.8</i>	<i>3,019.2</i>	<i>2,476.7</i>	<i>2,548.7</i>
Profitability .....	393.4	379.3	376.9	413.3	396.2	231.5
	<i>(%)</i>					
Credit to deposits .....	102.5	107.9	110.3	107.5	109.0	109.6
Cash and clearing to total deposits .....	20.9	9.8	8.6	7.2	8.5	6.9
Capital and reserves to total deposits .....	18.4	22.3	25.0	25.0	26.3	26.1
Provision and reserve interest to total credit <sup>(1)</sup> ..	3.4	3.4	3.4	3.5	3.7	4.5
Capital adequacy ratio.....	16.1	16.5	17.4	17.9	18.5	19.1
Non-performing loans ratio.....	2.5	2.7	2.4	2.7	3.5	4.2
Interest margin .....	3.8258	3.5910	3.5370	3.4300	3.4470	3.4970

*Source: Central Bank of Oman*

#### Note

(1) Includes general and specific provisions.

### Capital Adequacy

In order to ensure the soundness and solvency of Oman’s commercial banks, the CBO has specified minimum capital adequacy requirements that are higher than those required under Basel III norms. As at March 2021, the CET1, Tier 1 and total capital adequacy ratio (“CAR”) have been specified at 14.8%, 17.5% and 18.5% respectively, which are higher than the corresponding Basel norms.

The CBO had previously issued norms for a Capital Conservation Buffer and a Countercyclical Capital Buffer of 2.50% each, in alignment with Basel III norms. In March 2020, the Capital Conservation Buffers were lowered to 1.25%, as part

of stimulus measures in reaction to the COVID-19 pandemic. All commercial banks are currently complying with the Capital Conservation Buffer requirement.

Basel III also introduced measures to strengthen capital requirements for trading book and complex securitisation exposures, as well as that for counterparty credit risk exposures arising from derivatives, repo and securities financing activities. Such activities remain less complex in Oman, with risks remaining at manageable levels. The CBO does not expect the implementation of these enhancements to be a priority for Oman in the immediate term.

The CBO has developed a framework to identify and supervise domestic systemically important banks which includes higher capital requirements and higher Basel III Leverage Ratio requirements that are commensurate with the systemic importance of the identified bank.

#### *Leverage Ratios and Stress Testing*

To partially offset the limitations of CARs, the CBO also uses the leverage ratios and stress testing to supplement its analysis of the Omani banking sector. The leverage ratio is invariant to the riskiness of assets and it is calculated as “Tier-1 capital” to “non-risk-weighted on- and off-balance sheet exposure”. The leverage ratio of the banking sector was 13.1% as at the end of September 2020, as compared to 13.3% at the end of 2019 and 13.2% at the end of 2018. The minimum Basel III leverage ratio requirement in Oman is 4.5%, other than for domestic systemically important banks which should maintain a higher leverage ratio standard of 5.0% considering the systemic importance.

The CBO also periodically performs macro stress tests to assess the resilience of banks to macroeconomic shocks including oil price shocks. Despite the prevailing macroeconomic challenges, the recent stress tests conducted by the CBO show that under the assumed macro stress scenarios, the aggregate Capital to Risk Weighted Assets Ratio (“**CRAR**”) of domestic banks would drop from its current level of 18.1% as of 31 December 2019 to 16.8%. On an individual basis, all domestic banks, except for one, would comfortably be able to comply with minimum domestic required capital of 13.5% after absorbing all incurred losses under the assumed macro stress scenarios. The CBO has issued guidelines on the LCR and Net Stable Funding Ratio (“**NSFR**”). The LCR requirement was implemented in a phased manner from 2015 when it was specified at 60%, with the ratio planned to increase by 10% every year until reaching 100% in 2019. The banking sector LCR was 218.5% at the end of September 2020, as compared to 220.1% at the end of 2019 and 253.6% at the end of 2018. The NSFR also has a 100% minimum and was 119.8% at the end of September 2020, as compared to 116.3% at the end of 2019 and 114.6% at the end of 2018.

#### *Non-performing Loans (“NPLs”)*

On 25 September 2004, the CBO issued a circular that sets out the criteria for determining whether facilities are to be classified as NPLs. In summary:

- The circular sets out two approaches, a quantitative approach and a qualitative approach. The quantitative approach sets the following parameters:
  - *Standard*: meeting all payment obligations, or remaining past due for 60 days or less; and
  - *Special mention*: remaining past due for between 60 and 90 days.
- The quantitative categories for NPLs are as follows:
  - *Substandard*: remain past due for between 90 and 180 days;
  - *Doubtful*: remain post due for between 180 and 356 days; and
  - *Loss*: remain past due for 365 days and over.
- Qualitative parameters:
  - The probability of default in repayment to be set by internal bank controls and discretion set as per guidelines mentioned in the circular along with internal bank policies, controls and discretion.

On 13 April 2017, CBO issued circular BM 1149, implementing International Financial Reporting Standard 9 (“**IFRS 9**”) as the new accounting standard, and so IFRS 9 NPL categories applied.

Pursuant to the CBO measures announced on 18 March and 7 September 2020, banks are able to accept requests for the deferment of loan payments from borrowers that have been adversely affected by COVID-19, without the risk classification of such loans being adversely affected and no incremental Expected Credit Loss (“ECL”) allowance provisions against such deferred loans. Consequently, certain loans that would otherwise be classified as NPLs are exempted from such classification for the deferral period.

See “Response to COVID-19—Financial Measures—Central Bank of Oman”.

The following table sets forth the total NPLs in the commercial banking sector as at the end of the periods indicated.

	As at 31 December			As at 31
	2018	2019	2020	March 2021
Gross non-performing loans (OMR million).....	683	900	1,109	1,139
NPL ratio (%).....	2.7	3.5	4.2	4.2

Source: Central Bank of Oman

The following table sets forth the combined balance sheet of conventional banks as at the dates indicated.

	2015	2016	As at 31 December				Change 2019 2020 <sup>(1)</sup>	
			2017	2018	2019	2020		
	(OMR millions)						(% )	
Cash and deposits with CBO.....	4,057.1	2,511.0	2,130.7	2,488.8	2,001.0	1,650.3	(350.7)	(17.5)%
Due from Head Office, affiliates and banks abroad .....	1,717.8	1,400	1,337	1,359	1,760	1,167.6	(592.4)	(33.7)%
<b>Total Credit .....</b>	<b>18,315.7</b>	<b>19,704.6</b>	<b>20,511.5</b>	<b>21,486.0</b>	<b>21,864</b>	<b>22,331.4</b>	<b>467.2</b>	<b>2.2%</b>
<i>Credit to the private sector.....</i>	<i>16,207.4</i>	<i>17,539.2</i>	<i>18,207.5</i>	<i>18,718.4</i>	<i>18,899</i>	<i>18,772.3</i>	<i>(126.2)</i>	<i>(0.6)%</i>
<i>Credit to public enterprises.....</i>	<i>1,903.7</i>	<i>1,796.3</i>	<i>1,997.2</i>	<i>2,406.2</i>	<i>2,524.0</i>	<i>2,927.2</i>	<i>403.2</i>	<i>16.0%</i>
<i>Credit to Government.....</i>	<i>12.1</i>	<i>107.3</i>	<i>34.6</i>	<i>39.5</i>	<i>136.9</i>	<i>477.8</i>	<i>340.9</i>	<i>249%</i>
<i>Credit to non-residents.....</i>	<i>192.5</i>	<i>261.8</i>	<i>272.3</i>	<i>321.9</i>	<i>304.8</i>	<i>154.1</i>	<i>(150.7)</i>	<i>(49.4)%</i>
Securities.....	3,046.9	2,433.6	2,879.8	3,197.3	3,568.6	4,290.3	721.7	20.2%
<i>Treasury Bills.....</i>	<i>464.2</i>	<i>305.4</i>	<i>454.9</i>	<i>277.1</i>	<i>294.8</i>	<i>512.5</i>	<i>217.7</i>	<i>73.8%</i>
<i>Government Securities .....</i>	<i>1,405.8</i>	<i>1,306.4</i>	<i>1,336.3</i>	<i>1,578.1</i>	<i>1,899.8</i>	<i>2,296</i>	<i>396.2</i>	<i>20.9%</i>
<i>Domestic shares .....</i>	<i>256.3</i>	<i>287.4</i>	<i>319.1</i>	<i>265.0</i>	<i>246.8</i>	<i>332.7</i>	<i>85.9</i>	<i>34.8%</i>
<i>Foreign securities.....</i>	<i>920.5</i>	<i>534.4</i>	<i>769.5</i>	<i>1,077.1</i>	<i>1,127.2</i>	<i>1,149.2</i>	<i>22.0</i>	<i>2.0%</i>
Fixed assets .....	216.6	225.3	247.5	246.8	286.2	297.8	11.6	4.1%
Other assets .....	835.2	777	806.2	1,216.8	1,326.6	1,365.9	18.6	1.4%
<b>Total assets.....</b>	<b>28,189.2</b>	<b>27,051.8</b>	<b>27,913.1</b>	<b>29,994.7</b>	<b>30,806.4</b>	<b>31,085.4</b>	<b>279.1</b>	<b>0.9%</b>
<b>Total Deposits .....</b>	<b>17,873.0</b>	<b>18,253.7</b>	<b>18,601.7</b>	<b>19,995.8</b>	<b>20,062.1</b>	<b>20,337.0</b>	<b>315.2</b>	<b>1.6%</b>
<i>Government deposits .....</i>	<i>4,789.5</i>	<i>4,898.8</i>	<i>4,937.5</i>	<i>5,351.9</i>	<i>5,389.1</i>	<i>4,368.3</i>	<i>(1,018.9)</i>	<i>(18.9)%</i>
<i>Deposits of public enterprises .....</i>	<i>950.2</i>	<i>901.9</i>	<i>878.1</i>	<i>1,751.5</i>	<i>1,270.1</i>	<i>1,081.9</i>	<i>(188.2)</i>	<i>(14.8)%</i>
<i>Deposits of private sector.....</i>	<i>11,868.9</i>	<i>12,201.1</i>	<i>12,520.4</i>	<i>12,538.4</i>	<i>13,031.4</i>	<i>14,452.2</i>	<i>1,421.1</i>	<i>10.9%</i>
<i>Demand.....</i>	<i>3,853.6</i>	<i>3,635.6</i>	<i>3,777.8</i>	<i>3,692.9</i>	<i>3,664.1</i>	<i>3,977.6</i>	<i>313.5</i>	<i>8.6%</i>
<i>Savings.....</i>	<i>4,392.7</i>	<i>4,480.5</i>	<i>4,543.0</i>	<i>4,566.8</i>	<i>4,745.2</i>	<i>5,362.7</i>	<i>617.5</i>	<i>13.0%</i>
<i>Time .....</i>	<i>3,362.7</i>	<i>3,766.7</i>	<i>3,911.7</i>	<i>4,031.1</i>	<i>4,395.9</i>	<i>4,838.6</i>	<i>422.7</i>	<i>10.1%</i>
<i>commercial prepayments .....</i>	<i>259.9</i>	<i>318.3</i>	<i>287.9</i>	<i>274.6</i>	<i>226.2</i>	<i>273.3</i>	<i>47.1</i>	<i>20.8%</i>
<i>(of which in foreign currency).....</i>	<i>909.0</i>	<i>927.1</i>	<i>1,045.3</i>	<i>1,124.6</i>	<i>1,353.5</i>	<i>1,556.5</i>	<i>203.0</i>	<i>15.0%</i>
<i>Deposits of non-residents .....</i>	<i>420.2</i>	<i>262.7</i>	<i>220.8</i>	<i>343.7</i>	<i>371.5</i>	<i>474.6</i>	<i>103.1</i>	<i>27.7%</i>
Due to Head Office, affiliate and banks abroad .....	3,809.0	1,935.8	2,080.1	2,244.6	2,694.0	2,511.4	(182.6)	(6.8)%
Core Capital and Reserves .....	3,765.7	4,068.0	4,651.0	5,000.6	5,274.3	5,320.9	46.6	0.9%
Supplementary Capital .....	707.6	617.7	369.7	190.3	158.9	101	(57.9)	(36.4)%
Total provisions and reserved interest (of which general provisions).....	644.3	689.6	713.2	808.3	876.3	1,070.7	203.5	23.5%
	236.2	255.6	261.5	323.3	276.1	340.5	64.4	23.3%
							(110.6)	
Other liabilities.....	1,389.7	1,487	1,497.4	1,755	1,749.9	1,639.3		(6.3)%
<b>Total liabilities.....</b>	<b>28,189.2</b>	<b>27,051.8</b>	<b>27,913.1</b>	<b>29,994.7</b>	<b>30,806.4</b>	<b>31,085.4</b>	<b>279.1</b>	<b>0.9%</b>

Source: Central Bank of Oman

Total deposits held with conventional banks registered a slight increase of 1.6% to OMR 20,337.0 million as at 31 December 2020 from OMR 20,062.1 million as at 31 December 2019. Government deposits with conventional banks decreased by 18.9% to OMR 4,368.3 million as at 31 December 2020 from OMR 5,389.1 million as at 31 December 2019. Deposits of public enterprises decreased by 14.8% to OMR 1,081.9 million from OMR 1,270.1 million during the

same period. Private sector deposits, which constituted 70.9% of total deposits with conventional banks, increased by 10.9% to OMR 14,452.2 million as at 31 December 2020 from OMR 13,031.4 million as 31 December 2019. As at 31 March 2021, total deposits held with conventional banks were OMR 20,761.4 million.

### ***Islamic Banks***

Oman has two Islamic banks and five conventional local commercial banks with Islamic windows. Islamic banking entities provided financing of OMR 4,344.7 million and OMR 3,966.2 million as at December 2020 and 31 December 2019, respectively, compared to OMR 3,571.6 million as at 31 December 2018. Islamic banking entities provided financing of OMR 4,510.6 million as at 31 March 2021.

Total deposits held with Islamic banks and windows also registered an increase to OMR 3,788.5 million and OMR 3,595.1 million as at December 2020 and 31 December 2019, respectively, from OMR 3,259.5 million outstanding as at 31 December 2018. The total assets of Islamic banks and windows combined amounted to OMR 5,194.4 million and OMR 4,884.6 million as at December 2020 and 31 December 2019, respectively, which constituted approximately 14.5% and 13.9% of the banking system assets. Total deposits held with Islamic banks and windows as at 31 March 2021 were OMR 3,991.0 million.

### ***Specialist Banks and Export Credit Guarantee Agency***

The Government wholly owns, through the OIA, the Oman Development Bank (“**ODB**”), which grants medium and long-term loans to finance projects in the industrial, fisheries, agriculture and services sectors. The Government also guarantees its borrowings up to four times its paid-up capital plus reserves. Total assets of the ODB slightly increased from OMR 227.3 million at 31 December 2019 to OMR 231.6 million at 31 December 2020. The ODB granted loans for a total principal amount of OMR 190.8 million as at 31 December 2020 to projects, principally in the fisheries and agriculture and allied activities (OMR 39.9 million), mining (OMR 2.7 million), manufacturing sectors (OMR 62.4 million) and services (OMR 71.8 million).

The Government also wholly owns, through the OIA, the Oman Housing Bank (“**OHB**”) which provides low cost loans to Omanis to buy or construct subsidised homes. Total assets of the OHB increased to OMR 610.3 million at 31 December 2020 from OMR 591.9 million at 31 December 2019. As at December 2020, outstanding mortgage loans stood at OMR 580.1 million.

The Export Credit Guarantee Agency (“**ECGA**”) has been rebranded to be known as (“**Credit Oman**”) and provides export and domestic insurance cover, interest subsidies on post-shipment financing from commercial banks for Omani exporters and guarantees for pre-shipment financing from commercial banks for Omani exporters. As at 30 June 2020, total credit limits issued against exposure to both commercial and political risks to various customers by the ECGA stood at OMR 105 million as compared to OMR 102 million as at 31 December 2019.

### **Interest Rates**

The weighted average interest rate on OMR deposits with conventional banks increased to 2.013% in December 2020 from 2.006% in December 2019, while the weighted average OMR lending rate increased from 5.461% to 5.510% during the same period. The overnight Omani Rial domestic inter-bank lending rate decreased from 2.139% in December 2019 to 0.700% in December 2020. As at 31 March 2021, the weighted average interest rate on OMR deposits with conventional banks was 2.009%, the weighted average OMR lending rate was 5.511% and the overnight Omani Rial domestic inter-bank lending rate was 0.497%.

The policy rate of the CBO (the repo rate) has been calculated as the 1-month LIBOR plus 50 basis points or 1%, whichever is higher. This was recently changed in March 2020 where the calculation became the upper bound Federal Reserve rate of 0.25% plus a spread of 25 basis points.



The following table sets forth the CBO's policy rates at the end of each quarter.

	<b>Average rates for repos of transactions with the CBO (Policy Interest Rate)<sup>(1)(2)</sup></b>
<b>2015</b>	
QI.....	1.000
QII.....	1.000
QIII.....	1.000
QIV.....	1.000
<b>2016</b>	
QI.....	1.000
QII.....	1.000
QIII.....	1.025
QIV.....	1.193
<b>2017</b>	
QI.....	1.396
QII.....	1.638
QIII.....	1.735
QIV.....	1.949
<b>2018</b>	
QI.....	2.267
QII.....	2.459
QIII.....	2.601
QIV.....	2.934
<b>2019</b>	
QI.....	2.989
QII.....	2.911
QIII.....	2.554
QIV.....	2.236
<b>2020</b>	
QI.....	1.039
QII.....	0.500
QIII.....	0.500
QIV.....	0.500

*Source: The Central Bank of Oman*

**Notes**

- (1) Simple average rates applicable during the month.  
(2) Excluding intra-day repos with the CBO.

Since 1993, interest rates have been deregulated, with the exception of the personal loan segment. The interest rate ceiling on personal loans has been reduced over the years and since October 2013 has been fixed at 6% *per annum*.

**Bank Regulation and Supervision**

***Anti Money Laundering/Combating the Financing of Terrorism (“AML/CFT”)***

Oman endeavours to be in compliance with AML/CFT requirements norms in conformity with international standards and standards, including those set by the Financial Action Task Force (“**FATF**”). Oman is a member of FATF through the membership of GCC and founding member of the Middle East and North Africa Financial Action Task Force (“**MENA FATF**”).

A comprehensive AML/CFT law was promulgated by Royal Decree № 30/2016, along with the issuance of the instructions for all financial institutions under the supervision of CBO on implementing AML/CFT Law № 30/2016. The new law is based on technical assistance provided by the IMF and reflects all the amendments of the FATF's 2012 recommendations. All AML/CFT regulations, procedures, circulars that are issued and implemented by the banking and financial fields are based on the previous legislation and will be amended further as required, but in the meantime, continue to apply to the extent that they do not conflict with the new AML/CFT law, as do the Executive Regulation issued by Royal Decree № 72/2004, which has been issued for combating money laundering. The new AML/CFT Law № 30/2016 provides for the establishment of the National Centre for Financial Information which assumed the role of the Royal Oman Police's Financial Intelligence Unit in June 2016.

There are also bilateral and multilateral treaties for cooperation and interactions. Oman co-operates with FATF and MENA FATF Mutual Evaluations, resulting in identifications of areas requiring improvement. The CBO monitors licensed institutions through periodical reports and on-site examinations.

### ***Implementation of Common Reporting Standard regime***

In order to align with international best practices regarding the fight of cross-border tax evasion and meet the standards set by the EU and the OECD, on 15 May 2019 the CBO issued a circular implementing the Common Reporting Standard (“CRS”). The circular also provides for the automatic exchange of information through CRS. The CRS was first established after the implementation of the U.S. Foreign Account Tax Compliance Act regulations that requires certain non-U.S. financial institutions to provide information to the U.S. tax authorities regarding U.S. customers. The CRS has been expanded to require financial institutions to report information on accounts held by tax residents of reportable jurisdictions (*i.e.*, 109 foreign jurisdictions and Oman) and certain entities controlled by such tax residents. Collection of CRS information for new account holders commenced on 1 July 2019 and financial institutions are now required to collect a CRS self-certification from new customers upon account opening and existing customers. Due to the reporting developments by the reporting financial institutions, Oman was removed from the EU ‘blacklist’ of non-cooperative jurisdictions for tax purposes on 6 October 2020.

### ***KYC Procedures***

The regulations imposed on all financial institutions with regards to KYC procedures include the exercise of due diligence to verify, identify and update the identity of customers and actual beneficiaries as well as to know the purpose of the business relationship. Institutions are required to not open anonymous accounts or accounts under assumed or fictitious names, numbers or codes or provide any services to them. Financial institutions are also required to classify their customers and services according to the degree of risk of money laundering and terrorism financing and exercise special care when dealing with politically exposed persons. They are required to monitor customer transactions on an ongoing basis and verify the sources of their funds to ensure conformity with the information available on their identity, nature of their activities and the degree of risk. Financial institutions in Oman are prohibited from dealing with correspondent banks not adhering to AML/CFT laws and FATF recommendations or subject to UN sanctions. All financial institutions are required to implement decision № 1/2017 as issued by the National Committee for Combating Terrorism regarding the implementation of U.N. Security Council resolutions and sanctions. They are also prohibited from dealing with shell companies or entities. Financial institutions receiving wire transfers are required not to act upon them unless the remitter and beneficiary are known entities and the transfer contains a statement of identity verification.

### ***Suspicious Transactions***

Financial institutions are required to report to the Centre, regarding suspicious transactions as soon as they are suspected of being related to the proceeds of crime, terrorism, terrorism crime or a terrorist organisation or involving money laundering or terrorist financing, whether such transactions have or have not been conducted. The reporting obligation also extends to attempted transactions regardless of their value.

### ***Monitoring Systems***

Institutions are required to establish an electronic data system to monitor all electronic banking transactions with the purpose of enabling institutions to report unusual transactions, track suspicious transactions, generate required reports, track abnormal deposits including large amounts or amounts from countries listed as non-cooperative countries, countries not applying FATF recommendations and countries/individuals subject to UN sanctions. The system should be capable of tracking the names of individuals/entities listed in the UN sanction lists.

### ***Data Systems***

Institutions are requested to follow a system for the retention of documents and records, which must be kept for a minimum of 10 years. Financial institutions are required to keep the authenticated copies of these documents and records for 10 years. Banks are required to improve technology so as to ensure robust monitoring and compliance.

### ***Bank Compliance Officer***

Financial institutions are required to appoint a Money Laundering Compliance Officer who is the focal point of contact through whom suspicious transaction reports are made to the Centre. The compliance officer reports cases of money laundering and suspicious transactions, receives communications in this regard and ensures that the institutions internal controls system operates efficiently. The compliance officer is supposed to observe confidentiality and honesty in performing his work and, by law, higher management should not attempt to influence any of his decision making in

respect of reporting suspicious transactions to the Centre. Financial institutions are required to provide training programs in KYC procedures, updates to the FATF recommendations and orientation on the regulation and policies of AML/CFT to their employees.

### ***Deposit Insurance***

In 1995, the Bank Deposits Insurance Scheme (“**BDIS**”) was established pursuant to Royal Decree № 09/95 with the objective of protecting depositors in case of banks’ failure, and is administered by the CBO. All commercial banks licensed by the CBO to accept deposits are mandated to become members of the BDIS and are required to pay an initial membership contribution proportionate to their total deposits. Also, the members are required to pay an annual insurance premium of 0.05% of the total value of average monthly eligible deposits. Eligible deposits include savings deposits, current accounts, call deposits, time deposits, Government deposits and deposits related to trusts or pension banks deposits. The CBO is required to pay an annual insurance premium equivalent to 50% of the total annual premiums paid by the member banks. The BDIS covers up to OMR 20,000 of net deposits. As at the 30th of September 2020, the total assets of the BDIS fund were OMR 174.6 million, of which approximately OMR 87.2 million comprised membership accumulated insurance premium by member banks and OMR 43.6 million being accumulated insurance premium by the CBO.

### ***Capital Markets Authority (CMA)***

The Capital Markets Authority was established by Royal Decree № 80/98 issued on 9 November 1998 and began operations on 9 January 1999.

The CMA is a Government entity with financial and administrative independence. The principal role of the CMA is to supervise the capital market and insurance sectors in Oman and to develop the legal framework governing the same (for example, by promulgating the Code of Corporate Governance for companies listed on the Muscat Stock Exchange). A number of entities are regulated by the CMA, including the Muscat Stock Exchange.

The CMA also aims to promote market efficiency for investors and raise awareness of investor rights and the importance of capital markets.

### ***Muscat Stock Exchange***

The Muscat Securities Market, as it was formerly known, was established in 1988 by Royal Decree № 53/88 issued on 21 June 1988 and has been trading since 1989. Pursuant to Royal Decree № 5/2021 issued on 5 January 2021, the closed Omani joint stock company Muscat Stock Exchange SAOC was established. The Royal Decree came into force 90 days after its publication in the Official Gazette (16 April 2021), on which date the new company assumed all the rights, obligations, activities, competencies and employees of the Muscat Securities Market. The Muscat Stock Exchange is owned by the OIA and controlled by a board of directors headed by Mr. Mohammed Mahfoodh Al Ardhi.

Overall market capitalisation of the Muscat Stock Exchange increased from approximately OMR 18.77 billion at 31 December 2019 to OMR 20.24 billion at 31 December 2020. The Muscat Stock Exchange share price index, which was 1,000 in 1990, decreased to 3,658.8 at 31 December 2020 from 3,978.9 at 31 December 2019.

The following table sets forth recent key Muscat Stock Exchange indicators.

	31 December		2021			Change April 2020- 2021
	2019	2020	February	March	April	
<i>Share Price Index (by Activity)</i>						
Manufacturing .....	4,206	4,296	4,626	4,621	5,254	31.2%
Financial .....	6,349	5,651	5,429	5,700	5,822	4.5%
Services .....	1,897	1,592	1,550	1,545	1,588	(6.4)%
<b>Total</b> .....	<b>3,981.2</b>	<b>3,658.8</b>	<b>3,612.4</b>	<b>3,708.7</b>	<b>3,761.0</b>	<b>6.3%</b>
Shares Traded ( <i>thousands</i> ) .....	3,896,838	2,307,004	253,630	657,347	436,025	54.2%
Total Value ( <i>OMR thousands</i> ).....	711,551	441,019	35,277	85,789	140,595	42.5%
			<i>(OMR thousands)</i>			
<b>Net stock Investors</b>						
Omanis .....	17,533	36,334	501	737	9,651	—
GCC.....	(12,924)	3,099	(515)	115	(7,991)	—
Arabs .....	(336)	(3,940)	24	99	36	—
Foreigners.....	(4,273)	(35,492)	(9)	(951)	(1,696)	—

Source: Muscat Stock Exchange

# PUBLIC FINANCE

## General

The Government's budget includes payments and receipts of interest, transfers to non-profit institutions, such as youth clubs, cultural and sports clubs and the Sultan Qaboos University. The budget also includes Government subsidies to wholly-owned Government agencies that provide public services and all Government lending and investments, transfers of contributions to employee pension funds and subsidies granted to the PASI for employees in the private sector. In addition, grants received and paid are included.

Omani Governorates are considered part of the central Government for budget purposes. Budget coverage also includes transactions of certain agencies that produce market goods and services on a large scale, such as the post office and electricity and water agencies.

The budget does not include the activities of the OIA, the PASI for employees in the private sector and government pension funds. It also does not account for the activities of wholly-owned Government agencies that provide public services but are of a small scale and not authorized to borrow independently. See "*Risk Factors—Risk Factors in relation to the Issuer—Government-owned companies are not consolidated in its fiscal accounts and many of these companies are exposed to global economic trends*".

Revenues are broadly classified into five principal categories: (i) oil revenues; (ii) gas revenues; (iii) other current revenues (comprising taxes on income and profits, taxes and fees on properties, taxes and fees on international trade, and other fees and services); (iv) capital revenues; and (v) capital repayments.

Similarly, expenditures are broadly classified into five principal categories: (i) salaries and wages; (ii) purchase of commodities, transport, furniture, equipment and services; (iii) construction projects and public acquisition and other investment expenditure (*i.e.*, the acquisition of physical and financial assets); (iv) interest paid; and (v) subsidies and transfers. Expenditures are classified into current and investment (capital and development) expenditures. Expenditures are also classified by Government department and by function according to the international standard Classification of the Functions of Government.

Foreign currency is converted to Rials at the market exchange rate, as at the day of the transaction, although the Rial is pegged to the U.S. Dollar. The discount on treasury bills is included in interest payments, and transactions in treasury bills are recorded at face value.

Budget transactions are recorded on a cash basis. Expenditures are recorded at the time of issue. Information on expenditure obligations is maintained for internal use. At the end of the fiscal year (*i.e.*, 31 December of each year), accounts are held open for 30 days to allow final clearance of outstanding payments, but no new cash transactions are included during this period. Borrowing is recorded at the time of draw down.

## Budget Process

The Government's budget year runs from 1 January to 31 December of each year. The annual budget process typically begins in May or June of each year, when the Ministry of Finance releases the annual budget circular. The annual budget circular sets out the bases for the preparation and objectives of the overall budget and the portions allocated to Government ministries, agencies and other institutions. It also sets out certain data requests and controls. The Ministry of Economy also issues a development budget circular.

In past years, the budget was presented to the Council of Financial Affairs and Energy Resources, commencing a formal process leading to the annual budget's approval and adoption. However, the Council of Financial Affairs and Energy Resources has been disbanded by virtue of Royal Decree № 108/2020.

Under a new streamlined procedure, the Ministry of Finance presents the consolidated budget to the Council of Ministers for review and comment in October, following which it is presented to Parliament. Upon approval, the Ministry of Justice and Legal Affairs prepares the Royal Decree in order for His Majesty to enact the annual budget. The Royal Decree is typically issued at the beginning of the year.

## *Integrated Financial System*

Revenue and expenditure transactions included in the final accounts are based on the actual transactions recorded by individual ministries in the Integrated Financial System (the "**IFS**") as reported to the General Accounts Department of the Ministry of Finance. The Ministry of Finance maintains records of all Government borrowing and lending and the

related interest flows and records of Government investments, subsidies and transfers to Government agencies, pension funds and the PASI. The annual accounts are submitted to the State Audit for final approval, and to the Cabinet and H.M. the Sultan and published as it is stipulated in the Financial Law. Annual accounts are typically published in May of the year after the relevant budgetary year.

Source data from individual ministries and budgetary agencies is generally provided to the Ministry of Finance on a timely basis due to the IFS, which enables online and real-time access to source data. Monthly fiscal data are available about two weeks after the end of the reference period, following the completion of aggregations and controls on the source data.

Source data are comprehensive and based on administrative records. The IFS and quality control procedures serve as a regular assessment of source data, with the result that human error is reduced. All source data are subject to stringent auditing and authorisation procedures. Data are also subjected to routine audit and analysis of figures, checking for errors, and comparison of output with budget amounts and previous performance, in order to spot inconsistencies. All source data are assessed by crosschecking across different sources to ensure accuracy and reliability of data. Any unexpected data reported are investigated by follow-ups before the release of any such data.

See “*Risk Factors—Risk Factors in relation to the Issuer—The statistics published by the Government may differ from those produced by other sources*”.

## **Legal Reforms and Innovations**

### ***Fiscal Reforms***

In 2019, the Government implemented a number of reforms and new laws that are intended to improve the economic climate in Oman and positively impact fiscal performance:

- ***Foreign Capital Investment Law***—Royal Decree № 50/2019 was published in July 2019, which promulgates the new Foreign Capital Investment Law. The new law became effective in January 2020 and relaxes the rules and restrictions on foreign investment, streamlined the registration and licensing procedures for foreign investors, and set out provisions that aligns foreign investors’ rights and incentives to those given to Omani investors. It also sets out penalties for violations of the law and provisions on dispute resolution.
- ***Privatization Law***—Royal Decree № 51/2019 introduced a new Privatisation Law to replace a 2004 version. The new Privatisation Law came into force in July 2019 and sets out procedures for privatisations and outlines the methodology for the use of revenues from such privatisations. Provisions regarding the status of Omani employees working in newly-privatised entities are also provided. The Ministry of Finance oversees the implementation of the new law following the abolition of the Public Authority for Privatisation and Partnership and transfer of its authority to the Ministry of Finance pursuant to Royal Decree № 110/2020.
- ***Public Private Partnership Law***—Royal Decree № 52/2019 updated Oman’s Public Private Partnership Law (the “**PPP Law**”). The new PPP Law came into force in July 2019 alongside the Privatisation Law and is intended to improve the quality and efficiency of public services and projects, create job opportunities and reduce the financial burden of such services and projects on the budget, while increasing the involvement of the private sector in such services and projects. As with the Privatisation Law, the Ministry of Finance is responsible for the administration of the PPP Law. The PPP Law also sets out the legal framework for contracts between the Government and the private sector and permits 100% foreign ownership of private sector partners in order to stimulate foreign investment in Oman.
- ***Bankruptcy Law***—Royal Decree № 53/2019 introduced Oman’s first stand-alone Bankruptcy Law. The new Bankruptcy Law came into force in July 2020 and provides for restructuring and other procedures, with the aim of helping businesses to keep trading, reach a compromise with debtors, and avoid going liquidation. It also introduced provisions establishing a roll of experts who will assess restructuring petition and restructuring plans, as well as timelines. This law applies to all businesses in Oman, whether domestic or foreign, except for entities regulated by the CBO under the Banking Law or related laws and most insurance companies.

### ***Tax Reforms***

#### ***Corporate Tax Reforms***

The Ministry of Finance Decision № 14/2019 introduced amendments to the Executive Regulations of the Income Tax Law, which came into force in 2012. The amendments to the Executive Regulations provided more clarity on a number of tax law provisions related to withholding tax, the tax deductibility of director remuneration, tax card system, electronic

submissions and notifications, donations, tax on enterprises and other matters. The amendments also introduced measures aimed at improving the tax administration process.

The Capital Market Authority (the “CMA”) issued a Directive in May 2019 that suspended the 10% withholding tax (“WHT”) applicable on dividends and interest in order to boost foreign investments. This suspension is valid for a period of three years (from May 2019) and may be further extended.

The Ministry of Finance Decision № 14/2019 also clarified that only dividends distributed to foreign shareholders by Omani joint stock companies and investment funds are subject to WHT (thereby excluding limited liability companies from WHT on dividends). Accordingly, all Omani taxpayers are now exempt from the application of WHT on dividend distributions and interest payments. In particular, it also clarifies that for the purposes of withholding tax deductible pursuant to Article 52(5) of the Income Tax Law, the term “interest” shall not include revenues of bonds or sukuk issued by the Government of Oman or banks in Oman.

### *Indirect Tax Reforms*

A new Excise Tax Law was implemented in Oman effective from 15 June 2019 pursuant to Royal Decree № 23/2019. The Excise Tax law applies to importers, “stockpilers” and local producers of goods subject to the Excise Tax Law. A business holding goods subject to the Excise Tax Law in its inventory (*e.g.*, hotels, restaurants, retail shops and supermarkets) on the effective date of the Excise Tax Law also had an obligation to account for tax. The current rates of excise tax are: (i) tobacco and tobacco derivatives—100%; (ii) carbonated drinks—50%; (iii) energy drinks—100%; (iv) pork products—100%; and (v) alcohol—50%. All importers, “stockpilers” and local producers of goods subject to the Excise Tax Law are now required to submit quarterly excise tax returns and make excise tax payments. A further Excise Tax Law, applying a 50% tax on sugary and sweetened beverages, has been implemented with effect from 1 October 2020.

The customs authorities introduced an Advance Ruling programme to facilitate importation and exportation. Advance Rulings are binding decisions issued by customs authorities at the request of an importer or exporter on specific particulars in relation to the intended importation or exportation of goods. Advanced Rulings are intended to accelerate the release and clearance processes by providing binding information concerning the relevant customs treatment. This allows businesses to make an application for advance ruling to the customs authorities in relation to the origin, classification or valuation of goods. With the introduction of the Advance Ruling programme, the Government is working to further align its procedures with international trade best practices and comply with its obligations under the World Trade Organization Trade Facilitation Agreement.

The Ministry of Heritage and Tourism Decision № 56/2019 introduced amendments to the Executive Regulations of the Oman Tourism Law, in particular, applying a 4% tourism tax to cafés and restaurants located within a tourist area (specified by the Ministry of Heritage and Tourism) or managed by way of franchise contracts from January 2020. Prior to January 2020, only cafés and restaurants in hotels were subject to the tourism tax.

### *Other reforms*

#### *Commercial Companies Law*

A new Commercial Companies Law (the “CCL”) was issued in February 2019 pursuant to Royal Decree № 18/2019 and became effective in April 2019. The CCL aims to create a stronger and more transparent corporate governance regime in Oman. Key changes introduced by the CCL include: (i) the introduction of a “one-person” limited liability company; (ii) the removal of a minimum capital for establishing a limited liability company; (iii) enhanced protection of the minority shareholders’ rights in joint stock companies; (iv) increased penalties for violating the CCL; and (v) provisions relating to the dissolution and liquidation of companies established under the CCL.

#### *Mining Law*

In line with the ninth Five-Year Plan, which identified the mining sector as a key sector to contribute to economic diversification, a new Mining Law (Royal Decree № 19/2019) was introduced in February 2019 replacing the 2003 law. The new Mining Law came into force in March 2019 and provides for a modernised framework for the mining industry and streamlines the approval and permitting processes for exploration and exploitation, as well concession agreements.

The Mining Law authorises the Ministry of Energy and Minerals to regulate the mining sector, conduct inspection and investigation activities when required and revoke licenses granted in the case of violation or non-compliance with the law. It also permits the Ministry of Energy and Minerals to condemn private property if such property is likely to contain

significant mineral wealth of potential benefit to the national economy. This authority was transferred to the Ministry of Energy and Minerals pursuant to Royal Decree № 96/2020.

## 2021 Budget

The 2021 budget was approved by Royal Decree № 2021/2 issued on 1 January 2021. The 2021 budget is designed to align with the objectives of Vision 2040 and the Tenth Five-Year Plan, such as fiscal sustainability, economic growth, revenue diversification and targeted rates of investment. See “—*Legal Reforms and Innovations—Fiscal Reforms*”. It also continues to fund investment and promote sustainable development, as well as improve basic services, such as education, health care and housing.

The 2021 budget assumes: (i) average oil prices of U.S.\$45 per barrel; (ii) the availability of external funding to fund the deficit (so as to reduce the impact of Government borrowing on domestic banking liquidity and private investment); (iii) a greater global demand for oil and improving oil prices; (iv) a 33% growth in non-hydrocarbon revenue; and (v) improved collections of taxes and fees.

The 2021 budget forecasts that aggregate Government revenues will increase by 2%, principally due to a projected rise in non-hydrocarbons revenues. Oil revenues are estimated to decrease by 19% during 2021, while natural gas and LNG-related revenues and non-hydrocarbon revenue are projected to increase by 10% and 33%, respectively. The budgeted growth in non-hydrocarbon revenue is due to estimated increases in other current receipts and capital repayments. The projected growth in other current receipts reflected the Government’s continuing efforts to diversify its sources of revenue and continued improvements in tax collections. The Government expects revenue of OMR 300 million from VAT in 2021. Government revenue from the OIA (in the form of a dividend) in 2021 is expected to be approximately OMR 800 million, comprised of privatisation proceeds and returns on SOEs and funds. See “—*Legal Reforms and Innovations—Tax Reforms*” and “*Risk Factors—Risk Factors in relation to the Issuer—Oman’s efforts to diversify its economy, decrease Government spending and implement more extensive and higher rates of tax collection may not be successful*”.

Total Government expenditures are budgeted to decrease by 14% in 2021. Spending on ministries and interest payments are the principal reasons for the budgeted increase in total current expenditure. The wage bill, consisting of salaries, allowances and entitlements, constitutes 58.4% of the total civil ministries’ current expenditures. Current expenditure is the largest component of budgeted total expenditure in 2021. Investment expenditure are budgeted to remain the same in 2021. Accordingly, the fiscal deficit was estimated to decline to OMR 2.2 billion in the 2021 budget from OMR 2.5 billion in the 2020 budget.

Total Government revenues for 2021 are budgeted at OMR 8.6 billion and the total budgeted expenditure is OMR 10.9 billion. Consequently, the fiscal deficit is estimated at OMR 2.2 billion. This compares to an actual consolidated Government deficit of OMR 2,292.6 million for 2019 and OMR 2,762.5 million for 2018. The financing of the fiscal deficit in 2021 is comprised of borrowings of OMR 1.6 billion, and drawdown from reserves of OMR 600 million. The Government intends to rely on external borrowings which are planned so that the domestic banking liquidity and private investment are not affected.

The Government expects that its break-even price of oil will be approximately U.S.\$84 per barrel in 2020, as compared to U.S.\$78 per barrel in 2019 and U.S.\$94.95 per barrel in 2018. In 2021, if oil prices fall below anticipated levels, or if any other factors result in a greater than expected deficit, the Government aims to finance such an unexpected deficit through a combination of further asset monetization and domestic and international borrowings from the domestic and international capital markets.



The following table compares the actual finances and the State General Budget for 2019 and 2020.

	<u>Budget 2019</u>	<u>Actual 2019</u>	<u>Budget 2020</u> (OMR millions)	<u>Revised Budget 2020</u>	<u>Budget 2021*</u>
<b>Revenue and Grants</b> .....	<b>10,100</b>	<b>10,899</b>	<b>10,700</b>	<b>8,464</b>	<b>8,620</b>
<b>Revenues</b> .....	<b>10,100</b>	<b>10,899</b>	<b>10,700</b>	<b>8,464</b>	<b>8,620</b>
Oil Revenue .....	5,465	6,101	5,500	4,364	3,550
Gas and LNG-related Revenue.....	1,980	2,141	2,200	1,700	1,870
Non-hydrocarbon Revenue .....	2,655	2,657	3,000	2,400	3,200
<i>Tax Revenue</i> .....	<i>1,194</i>	<i>1,184</i>	<i>1,260</i>	<i>1,190</i>	<i>1,351</i>
<i>Non-tax Revenue</i> .....	<i>1,461</i>	<i>1,473</i>	<i>1,740</i>	<i>1,210</i>	<i>1,849.5</i>
<b>Grants from Other Countries</b> .....	—	—	—	—	—
<b>Total Expenditures, Net Lending &amp; Grants</b> .....	<b>12,900</b>	<b>13,191</b>	<b>13,200</b>	<b>12,660</b>	<b>10,850</b>
<b>Current</b> .....	<b>10,400</b>	<b>10,469</b>	<b>10,685</b>	<b>10,265</b>	<b>9,960</b>
Civil.....	6,590	6,703	6,875	6,780	6,995
<i>Wages and Benefits</i> .....	<i>3,292</i>	<i>3,358.3</i>	<i>3,181</i>	<i>3,235</i>	<i>3,300</i>
<i>Goods and Services</i> .....	<i>670</i>	<i>760</i>	<i>588</i>	<i>597</i>	<i>577</i>
<i>Subsidies and Transfers</i> .....	<i>1,428</i>	<i>1,331</i>	<i>1,676</i>	<i>1,348</i>	<i>1,138</i>
<i>Interest Payments</i> .....	<i>630</i>	<i>684</i>	<i>860</i>	<i>860</i>	<i>1,200</i>
<i>Upstream Gas operations</i> .....	<i>570</i>	<i>570</i>	<i>570</i>	<i>740</i>	<i>780</i>
Defence and Security .....	3,450	3,359	3,450	3,125	2,965
PDO Operations .....	360	407	360	360	—
<b>Investment</b> .....	<b>2,500</b>	<b>2,665</b>	<b>2,500</b>	<b>2,380</b>	<b>900</b>
Civil .....	1,200	1,325	1,200	1,080	900
Hydrocarbon .....	1,300	1,340	1,300	1,300	—
<b>Net Lending and Equity</b> .....	—	<b>58</b>	<b>(5)</b>	<b>15</b>	<b>(10)</b>
<b>Grants to Other Countries</b> .....	—	—	—	—	—
<b>Overall balance</b> .....	<b><u>(2,800)</u></b>	<b><u>(2,293)</u></b>	<b><u>(2,500)</u></b>	<b><u>(4,196)</u></b>	<b><u>(2,230)</u></b>

Source: Ministry of Finance

**Note**

\* Preliminary.

In 2019, an actual deficit of OMR 2,293 million was recorded (compared to a budgeted deficit of OMR 2,800 million and reflecting an increase of 17% compared to the actual deficit in 2018) with total expenditure, net lending and grants reaching OMR 13,191.1 million (compared to budgeted total expenditure, net lending and grants of OMR 12,900 million). In 2019, the actual deficit was lower than the budgeted deficit primarily due to higher revenues than budgeted.

## Public Accounts

### Preliminary Results

The following table sets out preliminary consolidated results for the year ended 31 December 2020 and comparative figures for the year ended 31 December 2019. These figures are prepared on a basis that is not necessarily comparable to the figures set out below under the caption “—Final Accounts” and are subject to revision and amendment.

	For the year ended 31 December	
	2019*	2020*
	<i>(OMR millions)</i>	
<b>Revenue and Grants</b> .....	<b>11,100</b>	<b>8,198</b>
Oil Revenue .....	6,100	3,666
Gas and LNG-related Revenue .....	2,000	1,860
Non-hydrocarbon Revenue .....	3,000	2,671
<b>Total Expenditures, Net Lending &amp; Grants</b> .....	<b>13,700</b>	<b>12,610</b>
Civil Ministries .....	4,600	4,439
Defence and Security .....	3,530	2,790
Oil and Gas production .....	2,430	2,488
Development .....	1,500	1,018
Electricity Subsidy .....	620	692
Debt Service (Interest) .....	730	819
Other expenditure .....	290	364
<b>Surplus/(Deficit)</b> .....	<b>(2,600)</b>	<b>(4,412)</b>

Source: Ministry of Finance

#### Note

\* Preliminary estimates.

## Final Accounts

The following table sets forth the actual revenues, expenditures and net lending for each of the five years ended 31 December 2015, 2016, 2017, 2018 and 2019 for the consolidated Government finances. Figures for the year ended 31 December 2020 are not available.

	Year ended 31 December				
	2015	2016	2017	2018	2019
	(OMR millions)				
<b>Revenue and Grants</b> .....	<b>9,038.7</b>	<b>8,149.5</b>	<b>8,635.4</b>	<b>10,821.0</b>	<b>10,898.5</b>
<b>Revenues</b> .....	<b>8,799.3</b>	<b>7,941.0</b>	<b>8,635.4</b>	<b>10,821.0</b>	<b>10,898.5</b>
Oil Revenue.....	5,657.5	3,653.8	4,684.6	6,538.9	6,100.5
Gas and LNG-related Revenue.....	1,745.3	1,665.2	1,652.5	2,170.2	2,140.8
Non-hydrocarbon Revenue.....	1,396.5	2,622.0	2,298.3	2,111.9	2,657.2
<i>Tax Revenue</i> .....	902.8	946.1	933.2	1,045.8	1,184.2
<i>Non-tax Revenue</i> <sup>(1)</sup> .....	493.7	1,675.9	1,365.1	1,066.1	1,473.0
<b>Grants from Other Countries</b> <sup>(2)</sup> .....	<b>239.4</b>	<b>208.5</b>	—	—	—
<b>Total Expenditures, Net Lending and Grants</b> .....	<b>13,681.7</b>	<b>12,636.8</b>	<b>12,264.0</b>	<b>13,583.5</b>	<b>13,191.1</b>
<b>Current</b> .....	<b>10,183.3</b>	<b>9,794.3</b>	<b>9,541.1</b>	<b>10,606.6</b>	<b>10,468.5</b>
Civil.....	5,945.6	5,346.7	5,724.6	6,351.0	6,702.8
<i>Wages and Benefits</i> .....	3,410.2	3,305.9	3,366.3	3,214.4	3,358.3
<i>Goods and Services</i> .....	902.9	800.0	1,652.3	727.1	759.7
<i>Subsidies and Transfers</i> .....	1,428.8	907.8	1,065.0	1,265.6	1,331.1
<i>Interest Payments</i> .....	37.3	138.4	371.4	618.3	683.6
<i>Upstream Gas operations</i> .....	166.4	194.6	180.0	525.6	570.2
Defence and Security.....	3,862.2	4,068.5	3,487.5	3,878.5	3,358.5
PDO Operations .....	375.5	379.1	329.0	377.1	407.2
<b>Investment</b> .....	<b>3,267.5</b>	<b>2,910.5</b>	<b>2,644.1</b>	<b>2,876.9</b>	<b>2,664.5</b>
Civil.....	1,822.5	1,384.0	1,334.1	1,199.9	1,324.9
Hydrocarbon.....	1,445.0	1,526.5	1,310.0	1,677.0	1,339.6
<b>Net Lending and Equity</b> .....	<b>200.3</b>	<b>(87.6)</b>	<b>78.8</b>	<b>100.0</b>	<b>58.1</b>
<b>Grants to Other Countries</b> <sup>(3)</sup> .....	<b>30.6</b>	<b>19.6</b>	—	—	—
<b>Overall Balance</b> .....	<b>(4,643.0)</b>	<b>(4,487.3)</b>	<b>(3,628.6)</b>	<b>(2,762.5)</b>	<b>(2,292.6)</b>

Source: Ministry of Finance

### Notes

- (1) Includes income on the OIA, Petroleum Reserve Fund and other funds and, starting in 2017, grants from other countries.
- (2) Grants from other countries included in non-tax revenue beginning in 2017.
- (3) Grants to other countries included in subsidies and transfers beginning in 2017.

## Revenues and Grants

The following table sets forth the actual detailed revenues and grants for the consolidated Government finances for each of the five years ended 31 December 2015, 2016, 2017, 2018 and 2019.

	Year ended 31 December				
	2015	2016	2017	2018	2019
	(OMR millions)				
<b>Oil Revenue-Total<sup>(1)</sup></b> .....	<b>5,656.2</b>	<b>3,651.2</b>	<b>4,681.8</b>	<b>6,536.4</b>	<b>6,098.4</b>
<b>Oil Revenues-Budget</b> .....	<b>5,657.5</b>	<b>3,653.8</b>	<b>4,684.6</b>	<b>6,538.9</b>	<b>6,100.5</b>
<i>Tax revenue from PDO private shareholders</i> .....	928.5	482.9	705.0	1,379.1	1,237.3
<i>Sales to PDO</i> .....	43.5	22.1	34.2	53.3	32.4
<i>Sales to others</i> .....	3,979.4	2,680.9	3,439.7	4,456.7	4,088.4
<i>Oil installation port dues</i> .....	1.3	2.6	2.8	2.5	2.1
<i>Condensate sales</i> .....	704.8	465.3	502.8	647.3	740.3
<b>Gas and LNG related revenue</b> .....	<b>1,745.3</b>	<b>1,665.2</b>	<b>1,652.5</b>	<b>2,170.2</b>	<b>2,140.8</b>
Oman LNG dividends.....	261.3	129.2	128.2	139.4	240.3
Gas feedstock sales to Oman LNG project.....	714.0	717.0	677.7	1,096.3	1,114.4
Natural gas sales (domestic).....	770.0	819.0	846.6	934.5	786.1
<b>Non-hydrocarbon Revenue</b> .....	<b>1,396.5</b>	<b>2,622.0</b>	<b>2,298.3</b>	<b>2,111.9</b>	<b>2,657.2</b>
<b>Tax Revenue</b> .....	<b>902.8</b>	<b>946.1</b>	<b>933.2</b>	<b>1,045.8</b>	<b>1,184.2</b>
Customs duties.....	235.4	302.9	262.0	277.3	234.4
Corporate income tax.....	451.7	388.6	366.5	463.1	624.8
Training tax.....	185.2	208.7	257.7	258.5	242.5
Municipal taxes.....	30.5	45.9	47.0	46.8	43.9
Excise tax.....	—	—	—	—	38.7
<b>Non-Tax Revenue</b> .....	<b>493.7</b>	<b>1,675.9</b>	<b>1,365.1</b>	<b>1,066.1</b>	<b>1,473.0</b>
Investment Income.....	85.3	884.6	212.4	195.2	350.2
<i>Domestic assets<sup>(2)</sup></i> .....	76.0	74.1	87.2	308.3	20.4
<i>Funds<sup>(1)</sup></i> .....	19.0	810.5	125.2	(113.1)	329.8
Public services and utilities <sup>(3)</sup> .....	62.4	87.5	98.0	54.9	51.2
Civil aviation.....	51.2	49.1	69.7	68.8	71.6
Public authorities' surplus.....	6.8	8.9	11.4	15.3	10.7
Other <sup>(4)</sup> .....	288.0	645.8	973.6	731.9	989.3
<b>Total Revenue</b> .....	<b>8,799.3</b>	<b>7,941.0</b>	<b>8,635.4</b>	<b>10,821.0</b>	<b>10,898.5</b>
<b>Grants from Other Countries<sup>(5)</sup></b> .....	<b>239.4</b>	<b>208.5</b>	—	—	—
<b>Total Revenue and Grants</b> .....	<b>9,038.7</b>	<b>8,149.5</b>	<b>8,635.4</b>	<b>10,821.0</b>	<b>10,898.5</b>

Source: Ministry of Finance (IMF accounting format)

### Notes

- (1) Investment returns from investment funds.
- (2) Interests and dividends on domestic assets, excluding returns on domestic deposits from OIA.
- (3) Mainly consists of water, electricity, post, and port revenue.
- (4) Includes notably sales of Government land and property, passport and immigration fees, licenses and, beginning in 2017, grants from other countries.
- (5) Grants from other countries included in non-tax revenue beginning in 2017.

### Revenues

Total consolidated Government revenues, including grants, increased by 0.7% to OMR 10,898.5 million for the year ended 31 December 2019 from OMR 10,821.0 million for the year ended 31 December 2018. Total oil revenues decreased by 6.7% to OMR 6,098.4 million for the year ended 31 December 2019 from 6,536.4 million for the same period in 2018. This decrease was due to the decrease in the average monthly Omani blend price to U.S.\$63.6 per barrel for the year ended 31 December 2019 from U.S.\$69.7 per barrel for the year ended 31 December 2018. Gas and LNG related revenues decreased by 1.4% to OMR 2,140.8 million for the year ended 31 December 2019 from 2,170.2 million for the year ended 31 December 2018. Non-hydrocarbon revenues, including revenues generated from taxes, investment income and other revenues increased by 25.8% to OMR 2,657.2 million for the year ended 31 December 2019 as compared to OMR 2,111.9 million for the year ended 31 December 2018, mostly as a result of an increase in privatisation receipts.

Total consolidated Government revenues, including grants, increased by 25.3% to OMR 10,821.0 million for the year ended 31 December 2018 from OMR 8,635.4 million for the year ended 31 December 2017. This increase was mainly

due to an increase in oil revenues due to higher oil prices than 2018. Total oil revenues increased by 39.6% to OMR 6,536.4 million for the year ended 31 December 2018 from OMR 4,681.8 million for the same period in 2017. This increase was due to the increase in the average monthly Omani blend price to U.S.\$69.7 per barrel for the year ended 31 December 2018 from U.S.\$51.3 per barrel for the year ended 31 December 2017, which was above the oil price of U.S.\$50 per barrel used to calculate the budget forecast. Gas and LNG related revenues increased by 31.3% to OMR 2,170.2 million for the year ended 31 December 2018 from OMR 1,652.5 million for the year ended 31 December 2017. Non-hydrocarbon revenues, including revenues generated from taxes, investment income and other revenues decreased by 8.1% to OMR 2,111.9 million for the year ended 31 December 2018 as compared to OMR 2,298.3 million for the year ended 31 December 2017, mostly as a result of an increase in tax revenues and investment income resulting from non-tax revenue. Revenues for the non-hydrocarbon sector consisted of 44.6% from taxes collected and 55.4% from non-tax revenue for the year 2019.

#### Grants from Other Countries

The principal source of grants from other countries to Oman is the GCC Development Fund, under which Oman is the beneficiary of U.S.\$10 billion in grant commitments with contributions to be made by the non-donor GCC member states. The GCC Development Fund is intended to stimulate economic growth and is expected to be used in furtherance of development goals.

The following table sets forth the amount of GCC Development Fund grants committed and received by Oman as of 30 April 2021.

	<u>Total Amount</u>	<u>Amount Utilised</u> <i>(U.S.\$ millions)</i>	<u>Remaining Balance</u>
Kuwait .....	2,500	1,892	608
Saudi Arabia .....	2,500	1,223	1,277
Qatar .....	2,500	—	2,500
UAE .....	2,500	—	2,500
<b>Total</b> .....	<b>10,000</b>	<b>3,115</b>	<b>8,119</b>

*Source: Ministry of Finance*

As of 30 April 2021, the total received amount of the U.S.\$10 billion GCC grant stood at U.S.\$3.1 billion, which is currently being disbursed into infrastructure projects.

The Kuwait portion of the fund is financing the Batinah Expressway which links Muscat to the Sohar Port and industrial area and to the UAE border. The Saudi Arabian portion will finance a road connecting Duqm to Ras Markaz (expected location for the development of a crude oil storage park) and the second phase of Duqm fishing port.

## Expenditures

The following table sets forth the actual detailed Government expenditures, grants and net lending for each of the five years ended 31 December 2015, 2016, 2017, 2018 and 2019.

	Year ended 31 December				
	2015	2016	2017	2018	2019
	<i>(OMR millions)</i>				
<b>Current Expenditures</b> .....	<b>10,183.3</b>	<b>9,794.3</b>	<b>9,541.1</b>	<b>10,606.6</b>	<b>10,468.5</b>
<b>Civil</b> .....	<b>5,945.6</b>	<b>5,346.7</b>	<b>5,724.6</b>	<b>6,350.9</b>	<b>6,702.8</b>
Total Wages and Salaries .....	3,410.2	3,305.9	3,366.3	3,214.4	3,358.3
<i>Wages and salaries</i> .....	<i>1,614.1</i>	<i>1,658.4</i>	<i>1,652.3</i>	<i>1,587.6</i>	<i>1,672.7</i>
<i>Allowances</i> <sup>(1)</sup> .....	<i>1,311.0</i>	<i>1,304.8</i>	<i>1,292.4</i>	<i>1,208.3</i>	<i>1,264.0</i>
<i>Other remuneration</i> <sup>(2)</sup> .....	<i>196.0</i>	<i>191.1</i>	<i>174.7</i>	<i>167.1</i>	<i>176.1</i>
<i>Pension contributions</i> <sup>(3)</sup> .....	<i>289.1</i>	<i>151.6</i>	<i>246.9</i>	<i>251.4</i>	<i>245.5</i>
Goods and Services .....	1,069.3	994.6	921.9	1,252.6	1,329.9
<i>Supplies of goods</i> .....	<i>200.0</i>	<i>189.4</i>	<i>210.4</i>	<i>189.2</i>	<i>212.3</i>
<i>Furniture and equipment</i> .....	<i>47.7</i>	<i>18.1</i>	<i>11.3</i>	<i>11.2</i>	<i>14.0</i>
<i>Services</i> .....	<i>562.2</i>	<i>482.6</i>	<i>413.5</i>	<i>413.9</i>	<i>427.7</i>
<i>Government services</i> <sup>(4)</sup> .....	<i>93.0</i>	<i>109.9</i>	<i>106.7</i>	<i>112.7</i>	<i>105.6</i>
<i>Upstream gas project</i> <sup>(5)</sup> .....	<i>166.4</i>	<i>194.6</i>	<i>180.0</i>	<i>525.6</i>	<i>570.2</i>
Subsidies and Transfers <sup>(6)</sup> .....	1,428.8	907.8	1,065.0	1,265.6	1,331.1
Interest Payments .....	37.3	138.4	371.4	618.3	683.6
<b>PDO Current Operations</b> <sup>(7)</sup> .....	<b>375.5</b>	<b>379.1</b>	<b>329.0</b>	<b>377.1</b>	<b>407.2</b>
<b>Defence Expenditures</b> <sup>(8)</sup> .....	<b>3,862.2</b>	<b>4,068.5</b>	<b>3,487.5</b>	<b>3,878.5</b>	<b>3,358.5</b>
<b>Capital Expenditures</b> .....	<b>3,267.5</b>	<b>2,910.5</b>	<b>2,644.1</b>	<b>2,876.9</b>	<b>2,664.5</b>
Civil ministries .....	1,822.5	1,384.0	1,334.1	1,199.9	1,324.9
Hydrocarbon.....	1,445.0	1,526.5	1,310.0	1,677.0	1,339.6
<i>PDO investments</i> <sup>(7)</sup> .....	<i>774.3</i>	<i>842.6</i>	<i>750.0</i>	<i>921.3</i>	<i>885.5</i>
<i>Upstream gas project</i> <sup>(9)</sup> .....	<i>670.7</i>	<i>683.9</i>	<i>560.0</i>	<i>755.7</i>	<i>454.1</i>
<b>Total Expenditures</b> .....	<b>13,450.8</b>	<b>12,704.8</b>	<b>12,195.9</b>	<b>13,483.5</b>	<b>13,133.0</b>
<b>Net Lending and Equity</b> .....	<b>200.3</b>	<b>(87.6)</b>	<b>78.8</b>	<b>100.0</b>	<b>58.1</b>
<b>Grants to Other Countries</b> <sup>(10)</sup> .....	<b>30.6</b>	<b>19.6</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Expenditure, Grants &amp; Net Lending</b> .....	<b>13,681.7</b>	<b>12,636.8</b>	<b>12,274.7</b>	<b>13,583.5</b>	<b>13,191.1</b>

*Source: Ministry of Finance (IMF accounting format)*

### Notes

- (1) Mostly consists of housing and transport allowances for civil servants.
- (2) Mostly consists of bonuses and special employment contracts.
- (3) Pension contributions for civil service employees.
- (4) Mostly consists of post, telegraph and telecom (PTT), electricity, and water.
- (5) Includes operational expenditures, gas transportation charges, cost gas purchase from Occidental, and annual fees for operations.
- (6) Includes subsidies and transfers in relation to civil ministries (subsidies for public authorities, grants and subsidies to households and other donations and grants) and subsidies in relation to the private sector and Government related entities. Subsidies are for the electricity sector, for petroleum products and for basic food stuff, operational support for Government related companies, and for the payment of interests under the development and housing loans program.
- (7) The Government's share is 60% of total PDO expenditure for both current and capital expenditures.
- (8) Includes some dual (civil and defence) use capital expenditures.
- (9) Includes capital expenditures and expenditures on exploration for gas.
- (10) Grants to other countries included in subsidies and transfers beginning in 2017

Total expenditures decreased by 2.6% to OMR 13,133.0 million for the year ended 31 December 2019 from OMR 13,483.5 million for the year ended 31 December 2018, as a result of a reduction in current and capital expenditure spending.

Current expenditures decreased by 1.3% to OMR 10,468.5 million for the year ended 31 December 2019 from OMR 10,606.6 million for the year ended 31 December 2018, as a result of a decrease in defence expenditure. Defence spending decreased by 13.4% for the year ended 31 December 2019 to OMR 3,358.5 million as compared to OMR 3,878.5 million for the year ended 31 December 2018. Current expenditures related to the civil sector increased by 5.5% for the year ended 31 December 2019 to OMR 6,702.8 million from OMR 6,350.9 million for the year ended 31 December 2018. Meanwhile, PDO operating expenditures (PDO current operations) increased by 8% to OMR 407.2 million from OMR

377.1 million and capital expenditures in oil and gas sector decreased by 20.1% to OMR 1,339.6 million from OMR 1,677.0 million.

Total expenditures, grants and net lending increased by 10.7% to OMR 13,583.5 million for the year ended 31 December 2018 from OMR 12,274.7 million for the year ended 31 December 2017, as a result of higher current and capital expenditure spending. Current expenditures increased by 11.2% to OMR 10,606.6 million for the year ended 31 December 2018 from OMR 9,541.1 million for the year ended 31 December 2017, as a result of: (i) a rise in the operational expenditure for gas (due to BP Khazzan coming on stream); and (ii) a rise in interest payments, reflecting the increase in the Government's debt alongside rising interest rates on Dollar-denominated floating rate debt (which makes up approximately 30% of the Government's foreign-currency debt stock). Defence spending increased by 11.2% for the year ended 31 December 2018 at OMR 3,878.5 million as compared with OMR 3,487.5 million for the year ended 31 December 2017, as a result of on-going projects. Current expenditures related to the civil sector decreased by 10.9% for the year ended 31 December 2018 to OMR 6,350.9 million from OMR 5,724.6 million for the year ended 31 December 2017, partly as a result of a 4.5% decrease in the total wages and salaries. Meanwhile, PDO operating expenditures (PDO current operations) increased by 14.6% to OMR 377.1 million from OMR 329.0 million and capital expenditures in oil and gas sector increased by 28% to OMR 1,677.0 million from OMR 1,310.0 million.

### Capital Expenditures

The following table sets forth the breakdown of Government capital expenditures for each of the five years ended 31 December 2015, 2016, 2017, 2018 and 2019.

	<b>Year ended 31 December</b>				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(OMR millions)</i>				
<b>Hydrocarbon Sector</b> .....	<b>1,445.0</b>	<b>1,526.5</b>	<b>1,310.0</b>	<b>1,677.0</b>	<b>1,339.6</b>
Government share in PDO <sup>(1)</sup> .....	774.3	842.6	750.0	921.3	885.5
Upstream gas project.....	670.7	683.9	560.0	755.7	454.1
<b>Civil, by sector breakdown</b> <sup>(2)</sup> .....	<b>1,822.5</b>	<b>1,384.0</b>	<b>1,334.1</b>	<b>1,199.9</b>	<b>1,324.9</b>
Agriculture, irrigation, water resources, and fisheries ...	59.5	59.7	45.8	40.3	31.4
Manufacturing and mining .....	1.7	2.6	6.1	5.7	11.5
Utilities.....	88.8	115.4	63.1	87.9	68.1
<i>Electricity and water</i> .....	86.0	111.9	62.6	81.8	67.7
<i>Communications</i> .....	2.8	3.5	0.5	6.1	0.4
Transport sector.....	886.4	602.7	643.5	513.6	628.9
<i>Roads</i> .....	610.7	398.4	259.8	342.1	417.2
<i>Harbours</i> .....	31.4	12.1	91.2	49.8	99.0
<i>Airports</i> .....	244.3	192.2	292.5	121.8	112.7
Social sector .....	500.9	434.1	342.7	348.4	313.6
<i>Education</i> .....	243.6	242.3	156.7	180.5	163.3
<i>Health</i> .....	42.0	43.6	35.1	42.1	36.9
<i>Housing</i> .....	215.3	148.2	150.9	125.9	113.4
Public administration.....	109.6	81.5	96.4	92.0	84.6
Other.....	175.6	88.0	136.5	112.0	186.8
<b>Total Capital Expenditures</b> .....	<b>3,267.5</b>	<b>2,910.5</b>	<b>2,644.1</b>	<b>2,876.9</b>	<b>2,664.5</b>

*Source: Ministry of Finance (IMF accounting format)*

#### **Notes**

(1) The Government's share is 60% of total PDO capital expenditures.

(2) Includes human resources development.

Total capital expenditures decreased by 7.4% to OMR 2,664.5 million for year ended 31 December 2019 from OMR 2,876.9 million for year ended 31 December 2018. 50.3% of capital expenditures for the year ended 31 December 2019 were for the hydrocarbon sector and 49.7% were for capital expenditures undertaken by civil ministries. Public capital expenditures for the non-hydrocarbon sector amounted to OMR 1,324.9 million in the year ended 31 December 2019, of which 47.5% was allocated to the transportation sector (roads, harbours, airports) and 23.7% was allocated to the social sector (education, health, housing).

Total capital expenditures increased by 8.8% to OMR 2,876.9 million for year ended 31 December 2018 from OMR 2,644.1 million for year ended 31 December 2017. 58.3% of capital expenditures for the year ended 31 December 2018 were for the hydrocarbon sector and 41.7% were for capital expenditures undertaken by civil ministries. Public capital expenditures for the non-hydrocarbon sector amounted to OMR 1,199.9 million in the year ended 31 December

2018, of which 42.8% was allocated to the transportation sector (roads, harbours, airports) and 29.0% was allocated to the social sector (education, health, housing).

### *Deficit Financing*

The Government has taken a number of measures in recent years to reduce its deficit, including nearly freezing new government hiring and promotions since 2017 (other than replacing workers who retire in the education and health sectors and continued hiring in defence), limiting civil servant compensation increases and streamlining allowances, eliminating certain fuel subsidies, reducing certain operating expenditures and the defence budget and issuing instructions to all spending units in key line ministries to curtail non-essential current expenditure and to increase efficiency. This spending restraint has led to current expenditure decreasing between 2014 and 2017 by OMR 1,800 million. Additionally, the Government aims to reduce its deficit by increasing non-oil and gas revenues through various measures (including an increase in 2017 in corporate tax rates to 15%, and reductions in tax exemptions, improving the efficiency of tax and customs collection, and the imposition of other select service taxes (e.g. alcohol, tobacco) in 2017), by increasing various administrative fees (including on property transactions) and increasing electricity and water tariffs via a progressive system based on brackets. The increase in the corporate tax rates and other changes in the taxation system first impacted Government revenues in 2018. See “—*Legal Reforms and Innovations*”.

The overall consolidated Government deficit (including net grants) was OMR 2,292.6 million for the year ended 31 December 2019, as compared to OMR 2,762.5 million for the same period in 2018 and OMR 3,628.6 million in 2017.

The following table provides a reconciliation between (i) the deficit amount for the years ended 31 December 2017, 2018 and 2019, each calculated by the Ministry of Finance in accordance with the IMF accounting format and (ii) the consolidated Government deficit published by NCSI for the same periods (which, unlike the IMF accounting format, excludes investment income and includes expenditure to be allocated). See “*Presentation of Economic and Other Information*”.

	<b>Year ended 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(OMR millions)</i>		
<b>Government deficit in accordance with GFMS Format</b> .....	<b>(3,628.6)</b>	<b>(2,762.5)</b>	<b>(2,292.6)</b>
<i>Less</i> expenditure under settlement .....	0	0	0
<i>Less</i> investment income .....	125.2	(113.1)	329.8
<i>Less</i> oil installation port dues.....	0	0	0
<i>Less</i> other adjustments .....	11	0	0
<b>Government deficit published by NCSI</b> .....	<b>(3,764)</b>	<b>(2,650)</b>	<b>(2,623)</b>

*Source: Ministry of Finance*

The 2019 deficit was financed by a combination of domestic and international borrowings from the domestic and international capital markets, including the proceeds of a syndicated loan facility backed by the Multilateral Investment Guarantee Agency (“**MIGA**”), U.S.\$2.25 billion issuance in August 2019 of fixed rate trust certificates of 6.0% due 2029 and U.S.\$0.75 billion issuance of 4.875% notes due 2025.

The 2018 deficit was financed by a combination of higher oil prices and a combination of domestic and international borrowings from the domestic and international capital markets, including the U.S.\$1.5 billion issuance in October 2018 of fixed rate trust certificates due 2025 and U.S.\$6.5 billion issuance in January 2018 of 4.125% notes due 2023, 5.625% notes due 2028 and 6.750% notes due 2048.

The 2017 deficit was financed by, among other measures, a combination of domestic and international borrowings from the domestic and international capital markets, including the proceeds of the U.S.\$3.55 billion loan from a syndicate of Chinese financial institutions, U.S.\$2 billion issuance in June 2017 of fixed rate trust certificates due 2024 and U.S.\$5 billion issuance of 3.875% notes due 2022, 5.375% notes due 2027 and 6.500% notes due 2047. Excess borrowing amounts of approximately OMR 1.2 billion were used to repay short-term loans.

See “*Risk Factors—Risk Factors in relation to the Issuer—Oman has historically had a large fiscal deficit and increasing indebtedness*”.



## Taxation

### *Corporate Income Tax*

Tax in Oman is governed by the Oman Income Tax Law (promulgated by Royal Decree № 28/2009 as amended from time to time) (the “**Oman Income Tax Law**”), the Law of Profit Tax on Commercial and Industrial Establishments and various other Royal Decrees and Ministerial decisions. Income tax in Oman applies only to businesses.

Tax is charged on profits and income of businesses from all sources which has been realised or has arisen in Oman. It is charged on business establishments owned by individuals, companies incorporated in Oman and permanent establishments (branches) of foreign enterprises. Prior to 2017, income below OMR 30,000 was not taxed and income above OMR 30,000 was taxed at 12%. Royal Decree № 09/2017 amended the Oman Income Tax Law (the “**Tax Amendments**”) as a result of which income shall be taxed at 15% from 2017, and the threshold below which income is not taxed shall be eliminated.

There is no personal income taxation system at present, and, although the Government has announced plans to develop an income tax for higher-earning individuals, there are no indicative or announced income threshold levels. Any dividend paid out of profits subjected to tax in Oman is exempt in the hands of the recipient.

The income from sale of petroleum is taxed at a flat rate of 55%. In addition, oil exploration and production companies are generally taxed under special rules set out in the relevant concession agreements.

The tax year corresponds to the calendar year. Every taxable entity is required to file a final return of income for every tax year together with the audited financial statements which should be prepared in accordance with IFRS.

Oman has entered into a comprehensive double taxation treaty with the United Kingdom, France and Spain, among others.

See “—*Legal Reforms and Innovations—Tax Reform*”.

### **WHT**

Pursuant to Article 52 of the Oman Income Tax Law, WHT is payable on the following categories of income earned in Oman: (i) royalties; (ii) remuneration for conducting research and development; (iii) remuneration for using or the right to use computer programmes; (iv) fees for management or performance of services; and (v) payments of dividends on shares, or interest.

WHT is levied on the gross amount of taxable income paid or credited to the account of any non-resident person in the cases specified in Article 40 of the Oman Income Tax Law. The Tax Amendments also extend the requirement to deduct withholding tax payable pursuant to Article 52 to any Ministry, authority, public institution or other public juristic person or unit of the administrative apparatus of Oman. The applicable tax rate is 10% of the gross amount paid or credited to the account of the persons specified above.

There is no definition of “interest” or “fees for management or performance of services” included in the Oman Income Tax Law. However, according to informal guidance issued on the FAQ section of the website of the Tax Authority, whilst no withholding will be applicable for services rendered outside of Oman, payments made to non-residents relating to services or any part thereof rendered in Oman will be subject to withholding tax deductions.

However, the Income Tax Law and Tax Amendments should be read and construed in conjunction with a further tax decision that was issued by way of Ministerial Decision № 14/2019 (amending certain provisions of the Income Tax Law) (the “**Tax Decision**”). The Tax Decision clarifies that, for the purpose of withholding tax deductible pursuant to Article 52(5) of the Income Tax Law, the term “interest” shall not include revenues of bonds or sukuk issued by the Government of Oman or banks licensed in Oman.

On 15 May 2019 (and effective from 6 May 2019), in an effort to boost foreign investments into Oman, the 10% withholding tax applicable on dividends and interest under the Income Tax Law was suspended for a period of three years by virtue of a CMA decision.

On 8 July 2020, the Government announced certain additional tax relief measures, including the suspension, until 30 September 2020, of:

- all fines related to the failure of compliance with the due dates for filing tax returns, both provisional and final, along with the annual audited accounts for the year ended 31 December 2019;

- additional taxes (1% per month) triggered by non-payment of income tax due to be paid for the year ended 31 December 2019; and
- additional taxes (1% per month) arising from 1 January 2020 to 30 September 2020 due to non-payment of income tax due for the years ended prior to 31 December 2019.

### ***Custom duties***

Oman is part of the GCC Customs Union, which was established in 2003 to remove customs and trade barriers among the GCC member states. The implementation of the GCC Customs Union is still in progress. The GCC member states apply a Common Customs Law and a Unified Customs Tariff with a standard customs duty rate of 5% of goods' cost, insurance and freight value, with a few exceptions, such as tobacco and alcoholic goods being subject to a customs duty rate of 100%. The GCC Customs Law does not levy export customs duties.

### ***Vocational Training Levy***

Ministerial Decision № 84/98 specifies the vocational training levy on employers in the private sector at OMR 100 annually per expatriate employee.

### ***Municipal tax***

Muscat and Salalah municipalities impose local taxes on selected activities, such as hotel income, property rents and leisure income.

### ***VAT***

The GCC member states have developed a broad framework for the introduction of VAT in the region. The framework agreement sets out the underlying principles of VAT laws for the six GCC countries, leaving the member states with some flexibility to determine their own requirements in certain areas.

On 12 October 2020, H.M. Sultan Haitham bin Tariq Al Said issued Royal Decree 121/2020 promulgating the VAT Law. The VAT Law was published in the Official Gazette of Oman on 18 October 2020 and came into effect on 16 April 2021. The VAT Law imposes a value added tax at a base rate of 5% on most goods and services exported to or imported from Oman. On 4 January 2021, the Tax Authority issued three decisions in relation to the VAT Law, the first of which determines the monetary thresholds for mandatory and voluntary registration, the second provides a list of food items that are zero rated and the third determines a schedule for mandatory tax registration for taxable persons. In January 2021, the Government appointed a consultant to propose a suitable income tax policy and related implementation requirements. On 10 March 2021, the Tax Authority issued the executive regulations to the VAT Law. Between March and April 2021, two further decisions (№ 59/2021 and № 65/2021) were issued in relation to VAT, providing a list of further food items and medical supplies that are zero rated.

### ***Local Government***

The Government contributes to the provision of municipal services. Municipalities are otherwise required to obtain such additional revenues required to provide municipal services from duties and fees levied within their area and municipalities are prohibited from incurring deficits. Contributions from the Government to Municipalities are included within the expenditures of several civil ministries.

### ***Social Security***

Omanis between the ages of 15 and 59 who are permanently employed in the private sector are required to make contributions equal to 7% of their salary to the Omani social security fund for benefits and old age pensions. These contributions are matched by employers at a rate of 10.5% of their salary. The employer also contributes an equal amount to a further 1% of the employee's salary to industrial illness and injury benefits schemes.

Each of the Civil Service, the Royal Oman Police, the Internal Security Service Agency and the Sultan's Armed Forces (among others) previously has pension funds established by the Government. However, pursuant to Royal Decree № 33/2021, two new funds—the Social Security Fund and the Military and Security Services Pension Fund—were established to consolidate the funds into two entities.

The Government acts as a lender of last resort to the private sector pension funds. Additionally, an employment security fund (the “**ESF**”) has been set up pursuant to Royal Decree № 82/2020 to financially support Omani employees who have been made redundant. The ESF is supervised and administered by the PASI.

# INDEBTEDNESS

## General

The Ministry of Finance is the only institution entitled to borrow on behalf of the Government. Governorates are not permitted to borrow. In 2017, the Government established a debt management office to manage its public debt portfolio. The Debt Management Office's ("DMO") main objectives are as follows:

- Setting and developing the Government's public debt policy and securing its financing needs in the short, medium and long term.
- Ensuring the Government's sustainable access to various debt markets at fair prices with prudent risk.
- Coordinate with the Government Related Entities (GRE) in meeting their financing needs.
- Coordinate with the relevant government authorities the relations with the Credit Rating Agencies, International Monetary Fund and the investor community.
- Providing advisory services and proposing executive plans to government.

The DMO may raise loans for the central government for the following purposes:

- Finance the current deficits in the central government budget.
- Extend credit and guarantees to GREs.
- Amortise, redeem and buy back government loans.
- Meet the CBO's need for foreign currency reserves.

The DMO's debt strategy for the medium term focuses on supporting the Government in implementing the 2021 budget and the medium-term fiscal plan by: (i) efficiently managing the Government's debt portfolio by ensuring it is well-diversified, sustainable and supportive of Government and private sector needs; (ii) ensuring the Government's financial requirement and payment obligations are met at the lowest possible cost with a prudent degree of risk over the medium to long term; and (iii) supporting the growth and development of the domestic debt capital market. The DMO's 2021 borrowing plan, which is subject to amendment and change, targets: (i) a budgeted fiscal deficit of OMR 2,240 million in 2021, (ii) debt amortisation and maturities of OMR 1,990; (iii) total borrowing requirements of OMR 4,230 million; (iv) total funding from internal sources of OMR 750 million; (v) total domestic debt of OMR 900 million; (vi) total external debt of OMR 2,580 million; and (vii) total borrowing and funding of OMR 4,230 million. As at 30 April 2021, 15% of financing completed to date in 2021 was for domestic debt requirements, 63% was for total external debt requirements and 22% was for internal funding sources requirements. The DMO is also engaged in a number of strategic initiatives, including the drafting of a new public debt law, plans to publish a medium-term debt strategy report, working on the development of Oman's environmental, social and governance framework and improving certain operational infrastructure.

Consistent with the Government's desire for enhanced transparency and accountability, the medium term debt strategy emphasises the Government's commitment to ensuring the debt levels remain sustainable and supports broad-based and inclusive growth.

The Government recognises that a diversified investment base, currency structure, liability management operations and development of the domestic debt market is critical for managing the public debt portfolio risk. To achieve this, the central government's financing needs will be met in a balanced way, with a mix of direct and indirect borrowing through: (i) debt issuances; (ii) financial institutions; (iii) government alternative financing including Export Credit Agencies Financing, Project Financing; and (iv) reserve drawdowns.

Furthermore, the medium term debt strategy focuses on reducing the growth of short-term debt and lengthen the maturity profile of the debt. It also seeks to reduce refinancing risk and interest rate risk embedded in the debt portfolio.

The Trust Certificates offered by this Base Prospectus are authorised in accordance with Royal Decree № 48/76.

As at 31 December 2020, Oman’s total Government debt (comprising its total Government external debt and its total Government domestic debt) amounted to OMR 19,700 million, of which OMR 4,797 million was denominated in Omani Rials and OMR 14,902 million was denominated in foreign currencies. Oman’s funding requirements for 2021 are expected to be OMR 4.2 billion, with maturities of U.S.\$2 billion. Interest on Government debt was 73% at fixed interest rates and 27% at floating interest rates as at 31 December 2020.

During the past 20 years, Oman has paid all principal and interest payments in respect of its outstanding borrowings when they fell due and has not entered into any restructuring arrangements with its creditors to defer the repayment of its borrowings.

The following table sets forth the debt of the Government as at the dates indicated.

	As at 31 December					As at 30
	2016	2017	2018	2019	2020 <sup>(1)</sup>	April 2021 <sup>(1)</sup>
	<i>(OMR millions, except percentages)</i>					
Government domestic debt.....	3,259	3,303	3,736	4,256	4,989	5,080
<i>Domestic debt as % of GDP</i> .....	<i>12.9%</i>	<i>12.2%</i>	<i>12.2%</i>	<i>14.5%</i>	<i>20.1%</i>	<i>19.7</i>
Government external debt .....	5,161	8,875	11,795	13,314	14,710	15,738
<i>External debt as % of GDP</i> .....	<i>20.4%</i>	<i>32.7%</i>	<i>38.4%</i>	<i>45.4%</i>	<i>59.2%</i>	<i>61.0</i>
<b>Total Government debt</b> .....	<b>8,420</b>	<b>12,178</b>	<b>15,531</b>	<b>17,570</b>	<b>19,700</b>	<b>20,818</b>
<i>Total debt as % of GDP</i> .....	<i>33.2%</i>	<i>44.9%</i>	<i>50.6%</i>	<i>59.9%</i>	<i>79.2%</i>	<i>80.7</i>
<b>GDP</b> .....	<b>25,354.5</b>	<b>27,144.9</b>	<b>30,678.8</b>	<b>29,349.5</b>	<b>24,858</b>	<b>25,796</b>

Source: Ministry of Finance

#### Note

(1) Preliminary.

See “*Risk Factors—Risk Factors in relation to the Issuer—Oman faces certain refinancing risks*”.

#### External Debt

Oman’s total external debt as at 30 April 2021 was approximately OMR 15,738 million (of which OMR 15,541 million was denominated in U.S. Dollars) compared to OMR 14,710 million as at 31 December 2020. Total external debt levels have significantly increased from OMR 902 million as at 31 December 2015 due to increased Government deficit funding needs, including, more recently, the impact of the COVID-19 pandemic. See “*Public Finance—Public Accounts*” and “*Risk Factors—Risk Factors in relation to the Issuer—Oman has historically had a large fiscal deficit and increasing indebtedness*”.

Total outstanding external debt as at 31 December 2020 was OMR 14,710 million. As at 31 December 2020, commercial loans and bonds accounted for approximately 80% of Government external debt while Sukuk and loans from development institutions represented approximately 13.4% of Government external debt and export credits accounted for the remaining Government external debt. The Ministry of Finance has previously used a limited number of interest and exchange rate derivative products in accordance with its policy of conservative risk management.

However, with the majority of Oman’s external debt portfolio denominated in U.S. Dollars at fixed interest rates, Oman’s exposure to interest rate and foreign exchange risk is low due to the peg of the Rial to the U.S. Dollar and the U.S. Dollar-denominated revenues it receives from oil and gas production in the Sultanate. See “*Risk Factors—Risk Factors in relation to the Issuer—Any adjustment to, or ending of, Oman’s currency peg could negatively affect the economy and Government finances.*”

In March 2021, Oman (acting through the Ministry of Finance) upsized its existing term loan, which is due in March 2023, from U.S.\$1.1 billion to U.S.\$2.2 billion.

On 25 January 2021, Oman (acting through the Ministry of Finance) issued its U.S.\$500,000,000 4.875% Notes due 2025 (to be consolidated and form a single series with the existing U.S.\$750,000,000 4.875% Notes due 2025 issued on 1 August 2019), its U.S.\$1,750,000,000 6.250% Notes due 2031 and its U.S.\$1,000,000,000 7.000% Notes due 2051, each issued under the Government’s Global Medium Term Note Programme (the “**GMTN Programme**”).

On 1 December 2020, Oman (acting through the Ministry of Finance) issued its U.S.\$200,000,000 6.750% Notes due 2027 (to be consolidated and form a single series with the existing U.S.\$1,250,000,000 6.750% Notes due 2027 issued on 28 October 2020) and its U.S.\$300,000,000 7.375% Notes due 2032 (to be consolidated and form a single series with

the existing U.S.\$750,000,000 7.375% Notes due 2032 issued on 28 October 2020), each issued under the GMTN Programme. In December 2020, Oman (acting through the Ministry of Finance) also secured a term loan of U.S.\$1.1 billion which is due in March 2023.

On 28 October 2020, Oman (acting through the Ministry of Finance) issued its U.S.\$1.25 billion 6.750% Notes due 2027 and U.S.\$750 million 7.375% Notes due 2032 under the GMTN Programme.

In August 2020, Oman secured a one year U.S.\$2 billion bridge loan to finance the deficit. This facility was repaid in November 2020 from an international bond issuance.

In August 2019, Oman (acting through the Ministry of Finance) issued U.S.\$2.25 billion of 6.000% Notes due 2029 and U.S.\$750 million of 4.875% Notes due 2025 pursuant to the GMTN Programme. In February, the Government secured a U.S.\$873.7 million UKEF-supported and commercial facilities to fund the engineering, procurement and construction of three hospitals located in Salalah, Khasab and Suwaiq in Oman. In June 2019, the Government secured a 15-year MIGA Non-Honouring of Sovereign Financial Obligations supported term loan facility of U.S.\$1.3 billion, the proceeds of which were used to finance seven infrastructure projects in the Special Economic Zone of Duqm.

In January 2018, Oman (acting through the Ministry of Finance) established the GMTN Programme, under which it issued U.S.\$6.5 billion in three tranches: (i) U.S.\$1.25 billion 4.125% Notes due 2023; (ii) U.S.\$2.5 billion 5.625% Notes due 2028; and (iii) U.S.\$2.75 billion 6.75% Notes due 2048. The Government intends to finance debt repayments by refinancing, expediting the monetisation of assets and utilising the debt service fund. In October 2018, Oman (acting through Oman Sovereign Sukuk SAOC) conducted a further issuance under the Trust Certificate Issuance Programme of U.S.\$1.5 billion 5.932% fixed rate Trust Certificates due 2025.

In March 2017, Oman (acting through the Ministry of Finance) conducted standalone issuances of (i) U.S.\$1 billion 3.875% Notes due 2022, (ii) U.S.\$2 billion 5.375% Notes due 2027 and (iii) U.S.\$2 billion 6.500% Notes due 2047, in an aggregate amount of U.S.\$5 billion. In May 2017, Oman (acting through Oman Sovereign Sukuk SAOC) established a *Sharia*-compliant Trust Certificate Issuance Programme (the “**Trust Certificate Issuance Programme**”), under which in June 2017 it issued U.S.\$2 billion 4.397% fixed rate Trust Certificates due 2024. In August 2017, Oman secured a U.S.\$3.55 billion, five year loan from a syndicate of Chinese financial institutions. This loan is due for repayment in 2022.

In June 2016, Oman (acting through the Ministry of Finance) returned to the international bond markets for the first time since 1997 with a U.S.\$2.5 billion issuance of 3.625% Notes due 2021 and 4.750% Notes due 2026, while also obtaining a U.S.\$4 billion pre-export financing from a syndicate of international banks and secured by PDO. In October 2016, Oman (acting through the Ministry of Finance) issued an additional U.S.\$1.5 billion of the Notes issued in June 2016 to raise an aggregate principal amount of such Notes to U.S.\$4 billion.

In 2016, the Government secured a U.S.\$1.0 billion loan, the proceeds of which were used to finance the 2015 deficit. As such, the loan is included in the debt stock as at 31 December 2015. The loan was raised through syndication among eleven banking institutions at a 120 basis points margin over the London Interbank Offered Rate (LIBOR) and falls due for repayment in January 2021.

The following table sets forth Oman’s external debt as at the dates indicated.

	As at 31 December						As at 30
	2015	2016	2017	2018	2019 <sup>(1)</sup>	2020 <sup>(2)</sup>	April 2021 <sup>(2)</sup>
	<i>(OMR millions)</i>						
Total Government external debt ....	902	5,161	8,875	11,795	13,314	14,710	15,738
Export credits .....	103	675	713	649	954	976	1,026
Loans from development institutions .....	289	326	330	365	397	498	526
Commercial loans and bonds.....	510	3,584	6,871	9,243	10,426	11,763	12,713
Sukuk.....	0	192	961	1,537	1,537	1,473	1,473
Short-term loans .....	0	384	0	0	0	0	0

Source: Central Bank of Oman and Ministry of Finance

#### Notes

- (1) In addition to the amounts listed in the above table, as of 31 December 2019 the Government guaranteed U.S.\$7 billion in financing for state-owned enterprises.
- (2) Preliminary.

The following table sets forth the repayment profile of Oman’s medium-term external public debt for the periods indicated as at 31 December 2020.

	2020	2021	2022	2023	2024
	(OMR millions)				
Export credits .....	81	81	98	121	121
Development Institutions.....	41	30	43	58	69
Commercial Loans and Financial Institutions .....	214	939	1,749	807	67
Sukuk.....	64	64	64	—	769
Eurobonds.....	—	577	384	480	—
<b>Total.....</b>	<b>399</b>	<b>1,691</b>	<b>2,338</b>	<b>1,466</b>	<b>1,026</b>

Source: Central Bank of Oman and Ministry of Finance

## Domestic Debt

The primary sources of domestic Government debt are Government Development Bonds (“GDBs”), Treasury Bills and Sukuk. Each of these instruments are issued in Omani Rials.

GDBs were first issued by the Ministry of Finance, acting on behalf of the Government, in August 1991 with the objective of developing the domestic capital market. GDBs are financial instruments, which are used to provide an investment outlet for any surplus resources available in the economy, to finance capital expenditures and to finance the fiscal deficit. GDBs are denominated in Omani Rials but are freely convertible into foreign currencies and may be sold to overseas investors. GDBs are long-term instruments that carry a maturity of more than one year and are generally issued for maturities ranging from two to 10 years, with interest paid semi-annually. GDBs initially sold to overseas investors are treated as external debt of the Government. As at 30 April 2021, the total amount of GDBs outstanding was OMR 3,100 million.

Treasury bills are short-term debt instruments, denominated in Omani Rials, used to finance day-to-day expenditures. Treasury bills are also used by commercial banks to securely invest their surplus funds, with the added advantages of ready liquidity through discounting and repurchase facilities offered by the CBO. In general, treasury bills are issued for a maturity period not exceeding one year and at present are issued with maturity periods of 28 days, 91-days, 182-days and 364-days through a competitive auction process. The amount of treasury bills outstanding was OMR 930 million as at 30 April 2021, as compared to OMR 513 million as at 31 December 2020.

In 2015, the Government issued a Sukuk of OMR 250 million at a profit rate of 3.5% *per annum*, and in July 2016, the Government issued a Sukuk of OMR 250 million at a profit rate of 3.5% *per annum*.

In September 2020, the Ministry of Finance completed the Series 3 of the Omani Rial Sukuk Issuance Programme by issuing sovereign Sukuk of OMR 200 million (U.S.\$520 million). The new issue, which is due in 2026, has an annual profit rate of 5.25% paid on a semi-annual basis in March and September of each year.

In November 2020, the Ministry of Finance completed the Series 4 of the Omani Rial Sukuk Issuance Programme by issuing sovereign Sukuk of OMR 208 million (U.S.\$541 million). The new issue, which is due in 2025, has an annual profit rate of 5.75% paid on a semi-annual basis in May and November of each year.

Also in November 2020, the Ministry of Finance completed the Series 5 of the Omani Rial Sukuk Issuance Programme by issuing sovereign Sukuk of OMR 25 million (U.S.\$65 million). The new issue, which is due in 2022, has an annual profit rate of 4.75% paid on a semi-annual basis in May and November of each year.

The following table sets forth the Government’s domestic debt profile as at the dates indicated.

	As at 31 December						As at 30
	2015	2016	2017	2018	2019	2020 <sup>(1)</sup>	April
	(OMR millions)						2021 <sup>(1)</sup>
<b>Total Government domestic debt .....</b>	<b>3,203</b>	<b>3,259</b>	<b>3,303</b>	<b>3,736</b>	<b>4,256</b>	<b>4,989</b>	<b>5,080</b>
GDBs <sup>(2)</sup> .....	1,330	1,630	2,030	2,430	2,630	2,800	3,100
Sukuk <sup>(2)</sup> .....	250	250	250	250	550	733	733
Loans from local banks <sup>(3)</sup> .....	500	346	—	—	—	—	—
Treasury Bills <sup>(4)</sup> .....	465	306	457	280	297	513	930
CBO Overdraft .....	658	727	566	776	779	751	125

	As at 31 December						As at 30
	2015	2016	2017	2018	2019	2020 <sup>(1)</sup>	April 2021 <sup>(1)</sup>
	<i>(OMR millions)</i>						
Private placement with an Omani pension fund <sup>(5)</sup> .....	—	—	—	—	—	192	192

*Source: Central Bank of Oman, Ministry of Finance*

**Notes**

- (1) Preliminary.
- (2) GDBs and Sukuk may be held by non-residents. Full amount of GDBs issued is included here.
- (3) Corresponds to a loan from Bank Muscat contracted in 2015 and repaid in 2017.
- (4) Treasury bills are held only by commercial banks.
- (5) Denominated in U.S. Dollars.





The following table sets forth the holdings of outstanding bonds and local Sukuk by domestic banks for the periods indicated.

	<b>Banks' Position as at 31 December 2019<sup>(1)</sup></b>	<b>Audited Net Worth of 45% of Net Worth<sup>(2)</sup></b>	<b>Banks' Holdings in Sukuk as at 30 June 2020</b>	<b>Banks' Holdings in GDBs as at 30 June 2020</b>	<b>Outstanding Holdings of GDBs/Sukuk as at 30 June 2020</b>	<b>Balance Available Unutilised<sup>(3)</sup></b>
	<i>(OMR millions)</i>					
Commercial Banks (Bonds/Sukuk) ..	5,277.4	2,352.3	360.7	1,643.7	2,004.5	347.9
Specialised Banks (Bonds).....	423.7	190.7	5.0	1.0	6.0	184.7
Islamic Banks (Sukuk).....	222.6	100.2	27.2	-	27.2	73.0
<b>Total</b> .....	<b>5,873.7</b>	<b>2,643.1</b>	<b>392.9</b>	<b>1,644.7</b>	<b>2,037.7</b>	<b>605.5</b>

Source: Ministry of Finance

#### Notes

- (1) Aggregate net worth of all Commercial, Specialised and Islamic Banks.  
(2) Banks' exposure to Government securities increased from 30% to 45% of banks' net worth.  
(3) The CBO imposes a maximum limit on banks' subscriptions to GDB and Sukuk. The limit is currently set at 45% of the bank's net worth. The figures in this column indicate the remaining capacity of Omani licensed banks to subscribe to additional GDB and Sukuk as per current regulations.

The following table sets forth Government treasury bills outstanding as at 30 April 2021.

	<b>As at 30 April 2021</b>
	<i>(OMR millions)</i>
<b>Total Treasury Bills</b> .....	930
28 days.....	101
91 days.....	726
182 days.....	103

Source: Ministry of Finance

The following table sets forth Government debt by currency for the periods indicated.

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>(OMR millions)</i>					
U.S. Dollars .....	770.8	4,460	8,713	11,643	13,138.4	14,711.8
Islamic Dinar .....	1.6	1.3	1.0	0.7	0.4	0.3
Kuwaiti Dinar .....	98.4	96.0	130.8	131.4	145.3	160.8
Omani Rial .....	25.0	25.0	25.0	25.0	4,286.2	4,827.1
Japanese Yen .....	5.0	2.4	0	0	0	0

Source: Ministry of Finance

## Indebtedness of Principal State-Owned Enterprises

The majority of the indebtedness of Oman's state-owned enterprises is project-based financing.

The following table sets forth the outstanding indebtedness of majority state-owned enterprises for the periods indicated.

Entity <sup>(1)</sup>	Gov't Share (%)	As at 31 December					As at 31 March	
		2015	2016	2017	2018	2019	2020 <sup>(2)</sup>	2021 <sup>(2)</sup>
		(U.S.\$ millions)						
Oman LNG.....	51.0	314	229	137	34	—	70	—
Oman Air.....	99.89	1,227	1,294	1,629	2,090	2,194	2,563	2,699
Asyad <sup>(3)</sup> .....	79.9	2,727	2,218	2,020	1,819	1,732	2,058	2,064
OQ.....	99.0	5,849	7,854	10,027	11,670	13,917	16,691	17,046
Qalhat LNG.....	46.84	246	214	45	—	—	—	—
Electricity Holding Company S.A.O.C. ....	100.0	2,312	2,481	5,424	4,440	5,315	5,675	6,044
Oman Telecommunications Company <sup>(4)</sup> .....	51.0	98	77	—	—	—	—	—
Duqm Special Economic Zone.....	100	—	—	45	71	125	202	249
PEIE.....	100	—	—	154	154	38	39	39
Majis Industrial Services.....	100	—	—	49	49	49	49	131
Omran.....	100	—	—	175	192	63	190	190
Oman Housing Bank.....	61	—	—	—	—	—	470	572
Oman Development Bank.....	100	—	—	—	—	—	97	97
Oman Information and Communications Technology Group SAOC.....	100	—	—	—	—	—	221	221
Be'ah.....	100	—	—	—	—	—	8	13
Strategic and Precious Metals Processing LLC.....	65	—	—	—	—	—	—	60
<b>Total.....</b>		<b>12,773</b>	<b>14,367</b>	<b>19,705</b>	<b>20,519</b>	<b>23,433</b>	<b>28,262</b>	<b>29,423</b>

Source: OIA

### Notes

- (1) Figures include the debt of subsidiaries of the entities.
- (2) Figures are provisional subject to audit.
- (3) Figures include Oman Shipping Co.
- (4) In December 2016, Oman transferred its 51% shareholding in Omantel, the country's incumbent telecoms operator, from the Ministry of Finance to the OIF.

## FORM OF THE TRUST CERTIFICATES

Words and expressions defined in the Conditions shall have the same meanings in this section, “*Form of the Trust Certificates*”.

The Trust Certificates of each Tranche will be in registered form. Trust Certificates will be issued and sold both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements under the Securities Act.

Each Tranche of Trust Certificates will initially be represented by a global trust certificate in registered form. The Trust Certificates of each Series offered and sold in reliance on Regulation S, which will be sold to persons who are not U.S. persons outside the United States, will initially be represented by beneficial interests in a global certificate in registered form (an “**Unrestricted Global Trust Certificate**”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Series of Trust Certificates, beneficial interests in an Unrestricted Global Trust Certificate may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Unrestricted Global Trust Certificate will bear a legend regarding such restrictions on transfer.

The Trust Certificates of each Series offered and sold in the United States or to U.S. persons may only be offered and sold in private transactions to QIBs who are also QPs, in each case acting for their own account or for the account of one or more QIBs who are also QPs. The Trust Certificates of each Series sold to QIBs who are also QPs in reliance on Rule 144A will initially be represented by a global certificate in registered form (a “**Restricted Global Trust Certificate**”, and together with the Unrestricted Global Trust Certificate, the “**Global Trust Certificates**”). By the acquisition of a beneficial interest in such Restricted Global Trust Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Restricted Global Trust Certificate.

No beneficial interest in an Unrestricted Global Trust Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in a Restricted Global Trust Certificate unless: (i) the transfer is to a person that is both a QIB and a QP, (ii) such transfer is made in reliance on Rule 144A, and (iii) the transferor provides the Registrar with a written certification to the effect that the transferor reasonably believes that the transferee is a QIB that is also a QP, that the transfer is being made in a transaction meeting the requirements of Rule 144A and that such transaction is in accordance with any applicable securities laws of any State of the United States or any other jurisdiction. No beneficial interest in the Restricted Global Trust Certificates may be transferred to a person who takes delivery in the form of a beneficial interest in an Unrestricted Global Trust Certificate unless the transfer is to a non-U.S. person in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with a written certification to the effect that the transfer is being made to a person who is a non-U.S. person in accordance with Regulation S.

Global Trust Certificates will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC; or (ii) be deposited with a common depositary (the “**Common Depositary**”) for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the Common Depositary (as specified in the applicable Final Terms). Persons holding beneficial interests in Global Trust Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Trust Certificates in fully registered form.

Payments of any amount in respect of each Global Trust Certificate will, in the absence of provision to the contrary, be made to the person shown on the relevant Register as the registered holder of the relevant Global Trust Certificate. None of the Trustee, the Delegate, any Paying Agent or the Registrar 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 Global Trust Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payment of any amounts in respect of Trust Certificates will, in the absence of any provision to the contrary, be made to the persons shown on the relevant Register on the relevant Record Date immediately preceding the due date for payment in the manner provided in the Conditions.

Interests in a Global Trust Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Trust Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 if an Exchange Event occurs. For these purposes, “**Exchange Event**” means that (i) the Delegate has given notice in accordance with Condition 15 that a Dissolution Event has occurred and is continuing or (ii) in the case of a Global Trust Certificate registered in the name of a nominee for DTC, either DTC has notified the Trustee

that it is unwilling or unable to continue to act as depository for the Trust Certificates or DTC has ceased to constitute a clearing agency registered under the Exchange Act or is at any time no longer eligible to act as such and, in either case, no alternative clearing system is available (in accordance with the terms of the Global Trust Certificate); (iii) in the case of a Global Trust Certificate registered in the name of a nominee for a Common Depository for Euroclear and Clearstream, Luxembourg, the Trustee, the Government and the Delegate have 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. In the event of the occurrence of an Exchange Event, DTC (or any other person acting on its behalf, as the case may be), Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Trust Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Trustee may also 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. Definitive Trust Certificates issued in exchange for a beneficial interest in the Restricted Global Trust Certificate shall bear the legends applicable to transfers pursuant to Rule 144A and Rule 3(c)(7) of the Investment Company Act, as set out under “*Transfer Restrictions*”.

For so long as any of the Trust Certificates is represented by a Global Trust Certificate held on behalf of Euroclear, Clearstream, Luxembourg and/or DTC (as applicable), each person (other than Euroclear, Clearstream, Luxembourg or DTC (as applicable)) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or DTC (as applicable) as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or DTC (as applicable) as to the face amount of such Trust Certificates 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 Trustee, the Delegate, the Government and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to any payment in respect of such Trust Certificates, for which purpose the registered holder of the Global Trust Certificate shall be treated by the Trustee, the Delegate, the Government and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Trust Certificate and the expressions “**Certificateholder**” and “**holder**” in relation to any Trust Certificates and related expressions shall be construed accordingly.

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche is issued (in accordance with “*Further Issues*”, as set out in the Conditions) which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the further Tranche, the Trust Certificates of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Trust Certificates of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

Interests in a Global Trust Certificate may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Trust Certificate. No beneficial owner of an interest in a Global Trust Certificate will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and/or Clearstream, Luxembourg, in each case to the extent applicable.

**The Trust Certificates are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See “*Transfer Restrictions*”.**

Any reference herein to Euroclear, Clearstream, Luxembourg and/or DTC 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.

# FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

## Final Terms

[Date]

Oman Sovereign Sukuk S.A.O.C.

(LEI: 549300KM6RUZQLK8LU36)

Issue of [Aggregate Face Amount of Tranche] [Title of Trust Certificates]

under the Trust Certificate Issuance Programme

## PART A—CONTRACTUAL TERMS

**[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET]**—Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Trust Certificates has led to the conclusion that: (i) the target market for the Trust Certificates is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Trust Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Trust Certificates (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Trust Certificates (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

**[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET]**—Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Trust Certificates has led to the conclusion that: (i) the target market for the Trust Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) № 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Trust Certificates to eligible counterparties and professional clients are appropriate. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Trust Certificates (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Trust Certificates (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.

**[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) - [Notice to be included if classification of the Trust Certificates is not “prescribed capital markets products”, pursuant to Section 309B of the SFA.]].**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Trust Certificates set forth in the Base Prospectus dated 7 June 2021 [and the supplement(s) to it dated [•]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Prospectus Regulation**”). [This document constitutes the Final Terms of the Trust Certificates described herein [for the purposes of the UK Prospectus Regulation]<sup>1</sup> and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information]<sup>2</sup>. The Base Prospectus has been published on the website of the London Stock Exchange.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Trust Certificates (the “**Conditions**”) set forth in the Base Prospectus dated [•] which are incorporated by reference in the Base Prospectus dated 7 June 2021. This document constitutes the Final Terms of the Trust Certificates described herein [for

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<sup>1</sup> To be included only if the Trust Certificates are to be admitted to trading on the regulated market, and listing on the official list, of Euronext Dublin.

<sup>2</sup> To be deleted where the Trust Certificates are neither admitted to trading on a UK regulated market nor offered in the UK in circumstances where a prospectus is required to be published under the FSMA.

the purposes of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Prospectus Regulation**”) and must be read in conjunction with the Base Prospectus dated [•] 2020 [and the supplement(s) to it dated [•]], which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the UK Prospectus Regulation including the Conditions, in order to obtain all relevant information. The Base Prospectus has been published on the website of the London Stock Exchange.]

1. (a) Trustee, Seller and Lessor: Oman Sovereign Sukuk S.A.O.C. (registered in Oman with commercial registration number 1225873)
- (b) Purchaser, Obligor, Lessee and Servicing Agent: The Government of the Sultanate of Oman represented by the Ministry of Finance (the “**Government**”)
2. (a) Series Number: [•]
- (b) Tranche Number: [•]
- (c) Date on which the [The Trust Certificates will be consolidated and form a single Trust Certificates Series with [identify earlier Tranche(s)] on [insert date/the Issue become fungible:]] [Not Applicable]
3. Specified Currency: [•]
4. Aggregate Face Amount: [•]
  - (a) Series [•]
  - (b) Tranche [•]
5. Issue Price: [•]% of the Aggregate Face Amount
6. (a) Specified Denominations: [•]
- (b) Calculation Amount [•]
7. (a) Issue Date: [•]
- (b) Return Accumulation Commencement Date: [[•]/Issue Date]
8. Scheduled Dissolution Date: [•]
9. Periodic Distribution Amount Basis: [Fixed/Floating] Rate Trust Certificates (further particulars specified below)
10. Dissolution Basis: The Trust Certificates will be redeemed at 100 per cent. of the Aggregate Face Amount.
11. Put/Call Rights: [Not Applicable]
  - [Optional Dissolution Call Right]
  - [Certificateholder Put Right]
  - [Clean Up Call Right]
12. Status: Unsubordinated

13. Date of Trustee's approval [•] and [•], respectively and date of Government's approval for issuance of Trust Certificates:

**Provisions relating to profit payable (if any)**

14. Fixed Periodic Distribution [Applicable/Not Applicable]
- (a) Rate(s): [•]% *per annum* payable [annually/semi-annually/quarterly/monthly/[•]] [in arrear on each Periodic Distribution Date]
- (b) Return Accumulation Period: [[•]/[As per Condition 1]/[Not Applicable]]
- (c) Periodic Distribution Date(s): [[•] in each year up to and including the Scheduled Dissolution Date]
- (d) Fixed Amount(s) for Trust Certificates in definitive form (and in relation to Trust Certificates in global form, see Condition 7): [•] per Calculation Amount
- (e) Broken Amount(s): [[•] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [•]/Not Applicable]
- (f) Day Count Fraction: [30/360 /Actual/Actual (ICMA)]
- (g) Determination Date(s): [[•] in each year/Not Applicable]
- (h) Day Count Fraction: [30/360 /Actual/Actual (ICMA)]
15. Floating Periodic Distribution Provisions: [Applicable/Not Applicable]
- (a) Return Accumulation Period: [[•]/[Not Applicable]]
- (b) Specified Periodic Distribution Date(s): [•] in each year up to and including the Scheduled Dissolution Date, commencing on [•],[in each case] subject to adjustment in accordance with the Business Day Convention set out in (c) below/, not subject to adjustment]
- (c) Specified Period: [[•]/[Not Applicable]]
- (Specified Period and Specified Periodic Distribution Dates are alternatives. A Specified Period, rather than Specified Periodic Distribution Dates, will only be relevant if the Business Day Convention is the Floating Rate Convention. Otherwise, insert "Not Applicable")*
- (d) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / Not Applicable]
- (e) Additional Business Centre(s): [[•]/Not Applicable]
- (f) Screen Rate Determination: [[•]/Not Applicable]
- Reference Rate: [•] month [LIBOR / EURIBOR / KIBOR / SHIBOR / HIBOR / KLIBOR / TRLIBOR / TRYLIBOR / SIBOR / EIBOR / TIBOR / SAIBOR] is provided by



[administrator legal name]] [repeat as necessary]. [As at the date hereof, [[administrator legal name] appears]/[does not appear]] [repeat as necessary] in the FCA's register of administrators pursuant to Article 36 of Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018]/[As far as the Trustee is aware, as at the date hereof, the [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011, as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018] / [Not Applicable]

- Periodic Distribution Determination Date: [•] [TARGET2/[•]] Business Days [in [•]] prior to the [•] day in each Return Accumulation Period
  - Relevant Screen Page: [•]
  - Relevant Time: [•]
- (g) ISDA Determination [Applicable/Not Applicable]
- Floating Rate Option: [•]
  - Designated Maturity [•]
  - Reset Date: [First day of the Return Accumulation Period]/[•]
- (h) Linear Interpolation: [Applicable/Not Applicable] [The Rate for the [long/short] [first/last] Return Accumulation Period shall be calculated using Linear Interpolation]
- (i) Margin(s): [+/-][•]% *per annum*
- (j) Maximum Rate: [Not Applicable/[•]% *per annum*]
- (k) Minimum Rate: [Not Applicable/[•]% *per annum*]
- (l) Day Count Fraction: [Not Applicable/[•]% *per annum*]
- [Actual/365 (Fixed)]
- [Actual/365 (Sterling)]
- [Actual/360]
- [30/360]
- [360/360]
- [Bond Basis]
- [30E/360]
- [Eurobond Basis]
- [30E/360 (ISDA)]
- [Actual/Actual (ICMA)]

- (m) Calculation Agent (party responsible for calculating the Rate(s) and/or Periodic Distribution Amount(s)): [Principal Paying Agent/[•]]

### Provisions relating to dissolution

- Optional Dissolution Call Right: [Applicable/Not Applicable]
16. Optional Dissolution Date(s): [•]
- (a) Optional Dissolution Amount (Call): [As per Condition 1/[•]]
- (b) Notice periods: [[•]/As per Condition 11.2]
17. Certificateholder Put Right: [Applicable/Not Applicable]
- (a) Optional Dissolution Amount (Put): [As per Condition 1/[•]]
- (b) Certificateholder Put Right Date(s): [Periodic Distribution Date/[•]]
- (c) Notice period: [[•]/As per Condition 11.4]
18. Clean Up Call Right: [Applicable/Not Applicable]
- (a) Clean Up Call Dissolution Amount: [As per Condition 1/[•]]
- (b) Notice period: [[•]<sup>3</sup>/As per Condition 11.5]
19. Dissolution Event Amount: [As per Condition 1/[•]]
20. Final Dissolution Amount: [As per Condition 1/[•]]
21. Other Dissolution Amount: [[As per Condition 1/[•]]/Not Applicable]

### General provisions applicable to the Trust Certificates

22. Form of Trust Certificates: Trust Certificates in registered form:
- [Unrestricted Global Trust Certificate registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg] and exchangeable for Trust Certificates in definitive registered form in the limited circumstances specified in the Unrestricted Global Trust Certificate.]
- [Restricted Global Trust Certificate registered in the name of a nominee for [DTC/ a common depository for Euroclear and Clearstream, Luxembourg] and exchangeable for Trust Certificates in definitive registered form in the limited circumstances specified in the Restricted Global Trust Certificate.]
- [Reg S Compliance Category 2][Rule 144A]

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<sup>3</sup> Such notice being 30 days after the Certificateholder Put Right Date.

23. Additional Financial Centre(s): [Not Applicable/[•]]

**Provisions in respect of the Trust Assets**

24. Trust Assets: Condition 5.1 applies

25. (a) Details of Transaction Account: [Oman Sovereign Sukuk S.A.O.C.] Transaction Account No: [•] with [•] for Series No.: [•]

(b) Supplemental Trust Deed: Supplemental Trust Deed dated [•] between the Trustee, the Government and the Delegate

(c) Supplemental Purchase Agreement: Supplemental Purchase Agreement dated [•] between the Trustee and the Government

(d) Supplemental Lease Agreement Supplemental Lease Agreement dated [•] between the Trustee, the Lessor, the Lessee and the Delegate

(e) Declaration of Commingling of Assets: [Declaration of Commingling of Assets dated [•] executed by the Trustee][Not Applicable]

Signed on behalf of **OMAN SOVEREIGN SUKUK S.A.O.C.**

Signed on behalf of **THE GOVERNMENT OF THE SULTANATE OF OMAN REPRESENTED BY THE MINISTRY OF FINANCE**

By: .....

By:.....

**Duly authorised**

**Duly authorised**

**PART B—OTHER INFORMATION**

**1. Listing and Admission to Trading**

(a) Listing: [Official List of the Financial Conduct Authority/other/specify/None]

(b) Admission to trading: [Application has been made by the Trustee (or on its trading: behalf) for the Trust Certificates to be admitted to trading on [the London Stock Exchange’s main market] / [•] with effect from [•]. / [Not Applicable]

(c) Estimate of total expenses related to [•] admission to trading:

(d) Use of [See “Use of Proceeds” in the [•] Base Prospectus]/proceeds

**2. Ratings**

Ratings: The Trust Certificates to be issued [have been/are expected to be/will not be] rated.

[Fitch: [•]

[S&P: [•]

[Moody's: [•]

[[•]: [•]

[[•] is established in the [European Union/United Kingdom] and has applied for registration under [Regulation (EC) № 1060/2009][Regulation (EC) № 1060/2009, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018], although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[•] is established in the [European Union/United Kingdom] and is registered under [Regulation (EC) No 1060/2009.] [Regulation (EC) № 1060/2009 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.]

[[•] is not established in the European Union or United Kingdom and has not applied for registration under [Regulation (EC) № 1060/2009][Regulation (EC) № 1060/2009 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018]. However, the application for registration under [Regulation (EC) № 1060/2009][Regulation (EC) № 1060/2009, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018] of [•], which is established in the [European Union/United Kingdom], disclosed the intention to endorse credit ratings of [•].]

[[•] is not established in the European Union or United Kingdom and has not applied for registration under [Regulation (EC) № 1060/2009][Regulation (EC) № 1060/2009, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018]. The ratings [[have been]/[are expected to be]] endorsed by [•] in accordance with [Regulation (EC) № 1060/2009] [Regulation (EC) № 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018]. [•] is established in the [European Union/United Kingdom] and registered under [Regulation (EC) № 1060/2009] [Regulation (EC) № 1060/2009 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018].] [[•] is not established in the [European Union/United Kingdom] and has not applied for registration under [Regulation (EC) № 1060/2009] [Regulation (EC) № 1060/2009 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018], but it is certified in accordance with such Regulation.]

### 3. **Interests of Natural and Legal Persons involved in the Issue**

[Save for any fees payable to the [Managers/Dealer], so far as each of the Trustee and the Government is aware, no person involved in the issue of the Trust Certificates has an interest material to the offer. The [Managers/Dealer] and [its/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 Government and/or the Trustee (and each of their affiliates) in the ordinary course of business for which they may receive fees.]

4. **Yield:** [•] % *per annum*. 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**
- (a) ISIN: [•]
  - (b) Common Code: [•]
  - (c) CUSIP: [•]
  - (d) CFI: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
  - (e) FISN: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
  - (f) Any clearing system(s) other than DTC, Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]
  - (g) Delivery: Delivery [against/free of] payment
  - (h) Names and addresses of additional Paying Agent(s) (if any): [•]
  - (i) Stabilising Manager(s): [•]

## TERMS AND CONDITIONS OF THE TRUST CERTIFICATES

*The following is the text of the Terms and Conditions of the Trust Certificates, which (save for the text in italics and subject to completion in accordance with the provisions of Part A of the relevant Final Terms) will be endorsed on each Trust Certificate in definitive registered form issued under the Programme and will apply to each Global Trust Certificate.*

Oman Sovereign Sukuk S.A.O.C., registered in Oman with commercial registration number 1225873 (in its capacity as issuer of the Trust Certificates (as defined below) and as trustee for the Certificateholders (as defined below), the “**Trustee**”), has established a programme (the “**Programme**”) for the issuance of trust certificates (the “**Trust Certificates**”). The size of the Programme is unlimited, subject to the annual state budget, any other statutory or other budgetary limitations on incurring indebtedness imposed from time to time and compliance with all statutory and other approvals required in connection with the issuance of Trust Certificates under the Programme or otherwise.

As used herein, “**Tranche**” means Trust Certificates which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Trust Certificates together with any further Tranche or Tranches of Trust Certificates 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 Periodic Distribution Amounts (as defined herein) thereon and the date from which Periodic Distribution Amounts start to accrue.

The final terms for this Trust Certificate (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Trust Certificate which complete these Terms and Conditions (these “**Conditions**”). References to the “**applicable Final Terms**” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Trust Certificate (save where otherwise expressed herein).

Each of the Trust Certificates will represent an undivided ownership interest in the Trust Assets (as defined below) which are held by the Trustee on trust (the “**Trust**”) for, inter alia, the benefit of the holders of the Trust Certificates pursuant to (i) an amended and restated Master Trust Deed (the “**Master Trust Deed**”) dated 7 June 2021 and made between the Trustee, the Government of the Sultanate of Oman represented by the Ministry of Finance (the “**Government**”) and The Law Debenture Trust Corporation p.l.c. (the “**Delegate**”) and (ii) a supplemental trust deed (the “**Supplemental Trust Deed**” and, together with the Master Trust Deed, the “**Trust Deed**”) having the details set out in the applicable Final Terms.

In these Conditions, references to “**Trust Certificates**” shall be references to the Trust Certificates of the Series which are the subject of the applicable Final Terms only, not to all Trust Certificates that may be issued under the Programme (whether in global form as a Restricted Global Trust Certificate (as defined herein) and/or an Unrestricted Global Trust Certificate (as defined herein), as the context may require (each a “**Global Trust Certificate**”), or in definitive form as Definitive Trust Certificates).

Payments relating to the Trust Certificates will be made pursuant to an amended and restated agency agreement dated 7 June 2021 (the “**Agency Agreement**”) made between the Trustee, the Delegate, the Government and Citibank N.A., London Branch in its capacity as principal paying agent (in such capacity, the “**Principal Paying Agent**”, which expression shall include any successor), the other paying agents named therein (in such capacity, the “**Paying Agents**”), the transfer agent (in such capacity, the “**Transfer Agent**”, which expression shall include any successor) and calculation agent (in such capacity, the “**Calculation Agent**”, which expression shall include any successor) and Citigroup Global Markets Europe AG in its capacity as registrar (in such capacity, the “**Registrar**”, which expression shall include any successor). The Principal Paying Agent, the Calculation Agent, the Paying Agents, the Transfer Agent and the Registrar are together referred to in these Conditions as the “**Agents**”.

The holders of the Trust Certificates (the “**Certificateholders**”) are bound by, and are deemed to have notice of, all of the provisions applicable to them in the documents set out below, copies of which are available for inspection during normal business hours at the specified office for the time being of the Principal Paying Agent:

- (a) an amended and restated master purchase agreement between the Trustee (in its capacity as purchaser) and the Government (in its capacity as seller) dated 4 October 2018 (the “**Master Purchase Agreement**”);
- (b) the supplemental purchase agreement (the “**Supplemental Purchase Agreement**” and, together with the Master Purchase Agreement, the “**Purchase Agreement**”) having the details set out in the applicable Final Terms;
- (c) an amended and restated master lease agreement between the Trustee (in such capacity as lessor), the Government (in its capacity as lessee) and the Delegate dated 4 October 2018 (the “**Master Lease Agreement**”);

- (d) the supplemental lease agreement (the “**Supplemental Lease Agreement**” and, together with the Master Lease Agreement, the “**Lease Agreement**”) having the details set out in the applicable Final Terms (including any new Supplemental Lease Agreement entered into pursuant to: (i) the Sale and Substitution Undertaking; (ii) the Purchase Undertaking; (iii) the Servicing Agency Agreement (each as defined below); or (iv) the relevant Supplemental Purchase Agreement);
  - (e) an amended and restated purchase undertaking entered into by the Government (in its capacity as obligor) as a deed dated 4 October 2018 (the “**Purchase Undertaking**”), containing the form of sale agreement (the “**Sale Agreement**”) to be executed by the Government (in its capacity as purchaser) and the Trustee (in its capacity as seller) on the Scheduled Dissolution Date, the Dissolution Event Redemption Date or the Certificateholder Put Right Date, as the case may be (each such expression having the meaning given to it in the Purchase Undertaking);
  - (f) an amended and restated sale and substitution undertaking entered into by the Trustee as a deed dated 4 October 2018 (the “**Sale and Substitution Undertaking**”) containing the form of sale agreement (the “**Sale Agreement**”) to be executed by the Trustee (in its capacity as seller) and the Government (in its capacity as purchaser) on the Clean Up Call Right Dissolution Date, the Optional Dissolution Date, the Cancellation Date or the Substitution Date, as the case may be (each such expression having the meaning given to it in the Sale and Substitution Undertaking);
  - (g) an amended and restated servicing agency agreement between the Trustee (in its capacity as lessor) and the Government (in its capacity as servicing agent, the “**Servicing Agent**”) dated 4 October 2018 (the “**Servicing Agency Agreement**”);
  - (h) a declaration of comingling of assets entered into by the Trustee as a deed pursuant to the Trust Deed;
  - (i) the Trust Deed;
  - (j) the Agency Agreement; and
  - (k) the applicable Final Terms,
- (a) to (j) together being the “**Transaction Documents**”.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Each initial Certificateholder, by its acquisition and holding of its interest in a Trust Certificate, shall be deemed to authorise and direct the Trustee to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Trust Deed and these Conditions and to apply the sums paid by it in respect of its Trust Certificates in accordance with the terms of the Transaction Documents.

## 1. **Interpretation**

### 1.1 *Definitions*

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between any such document and the applicable Final Terms, the applicable Final Terms will prevail. In addition, in these Conditions the following expressions have the following meanings:

“**Accrual Period**” has the meaning given in Condition 7.3 or 8.7, as applicable;

“**Agency**” means any political sub-division, regional or municipal government, ministry, department, authority or statutory corporation of the Government (whether or not autonomous) and any corporation or other entity which is directly or indirectly controlled or (as to 50% or more of its issued share capital or the equivalent thereof) owned by the Government;

“**Aggregation Agent**” shall have the meaning given to it in Condition 20(a); “**Applicable Maturity**” has the meaning given to it in Condition 8.5; “**Business Day**” has the meaning given to it in Condition 8.2;

“**Calculation Agent**” means the Principal Paying Agent or such other Person specified in the applicable Final Terms as the party responsible for calculating the Periodic Distribution Amount and/or such other amount(s) as may be specified in the applicable Final Terms in accordance with Condition 8;

“**Cancellation Date**” means the date on which Trust Certificates are to be cancelled as specified in the Cancellation Notice;

“**Cancellation Notice**” means a notice substantially in the form set out in Schedule 2 to the Sale and Substitution Undertaking;

“**Cancelled Lease Asset(s)**” means the assets to be sold by the Trustee (in its capacity as seller) to the Government (in its capacity as purchaser) in accordance with the Sale and Substitution Undertaking following the delivery of, and as specified in, an applicable Cancellation Notice;

“**Certificateholder Put Right**” means the right exercisable by the Trustee at the request of any Certificateholder pursuant to Condition 11.4;

“**Certificateholder Put Right Date**” means the date on which the relevant Trust Certificates are to be redeemed in accordance with Condition 11.4, as specified in the relevant Exercise Notice, provided that such date is a Periodic Distribution Date, unless otherwise specified in the applicable Final Terms;

“**Certificateholder Put Right Exercise Price**” has the meaning given to it in the Purchase Undertaking;

“**Clean Up Call Right**” means the right exercisable by the Trustee at the request of the Government pursuant to Condition 11.5

“**Clean Up Call Right Dissolution Date**” has the meaning given to it in Condition 11.5; “Clearstream” means Clearstream Banking S.A.;

“**Day Count Fraction**” has the meaning given to it in Conditions 7.3 or 8.7, as applicable; “Definitive Trust Certificate” has the meaning given to it in the Master Trust Deed; “Determination Period” has the meaning given to it in Condition 7.3;

“**Dispute**” has the meaning given to it in Condition 26.2;

“**Dissolution Amount**” means, as appropriate, the Final Dissolution Amount, the Dissolution Event Amount, the Optional Dissolution Amount (Call), the Optional Dissolution Amount (Put), the Clean Up Call Dissolution Amount, which shall, unless otherwise specified in the applicable Final Terms, in each case, be equal to the sum of:

- (a) the outstanding face amount of the relevant Trust Certificates; and
- (b) any due and unpaid Periodic Distribution Amounts of such Trust Certificates; or
- (c) such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms (including any amount payable following a Total Loss Event);

“**Dissolution Date**” means, as the case may be, (a) the Scheduled Dissolution Date, (b) the Dissolution Event Redemption Date, (c) the Optional Dissolution Date, (d) the Total Loss Dissolution Date, (e) the Certificateholder Put Right Date, (e) the Clean Up Call Right Dissolution Date;

“**Dissolution Event**” has the meaning given to it in Condition 15;

“**Dissolution Event Redemption Date**” has the meaning given to it in Condition 15;

“**Dissolution Notice**” has the meaning given to it in Condition 15;

“**DTC**” shall mean The Depository Trust Company;

“**Euroclear**” means Euroclear Bank SA/NV;



“**Exercise Notice**” means a notice substantially in the form set out in Schedule 1 to the Sale and Substitution Undertaking;

“**Exercise Price**” has the meaning given to it in the Sale and Substitution Undertaking or the Purchase Undertaking, as applicable;

“**Extraordinary Resolution**” has the meaning given in Condition 19(a)(vii);

“**Full Reinstatement Value**” means, in relation to each Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the Trust Certificates then outstanding plus all accrued but unpaid Periodic Distribution Amounts relating to such Trust Certificates;
- (b) an amount equal to the Periodic Distribution Amounts relating to such Trust Certificates which would have accrued (had a Total Loss Event not occurred) during the period beginning on the date on which the Total Loss Event occurs and ending on but excluding the earlier of (i) the date on which the Trust Certificates are redeemed in full in accordance with Condition 11.3 and (ii) the Total Loss Dissolution Date; and
- (c) an amount equal to any outstanding Service Charge Amounts in respect of which an appropriate Supplementary Rental (as defined in the relevant Supplemental Lease Agreement) payment has not been made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement;

“**Government Event**” means:

- (a) the failure by the Government (acting in any capacity) to pay on the due date: (i) any amount in the nature of rental, profit or principal (or equivalent amount) payable by it pursuant to any Transaction Document to which it is a party and such failure to pay is not cured within, in the case of any amount in the nature of principal, seven days, and, in the case of any amount in the nature of rental or profit, 14 days, of the due date for payment; and/or (ii) any additional amounts payable by it under sub-clause 10.1.2 of the Master Trust Deed;
- (b) the Government (acting in any capacity): (i) fails to perform or observe any one or more of its other obligations under any of the Transaction Documents to which it is a party (excluding, in connection with sub-clause 10.1.1 of the Master Trust Deed, the obligations of the Servicing Agent under clause 5.1 of the Servicing Agency Agreement), which failure is, in the opinion of the Delegate, incapable of remedy or, if in the opinion of the Delegate, is capable of remedy, is not remedied within 30 days following the service by the Delegate or any Certificateholder (in accordance with Condition 16.3) on the Government (acting in any capacity) of written notice requiring the same to be remedied;  
or (ii) rejects any Lease Renewal Notice delivered to it pursuant to clause 3.2 of the relevant Supplemental Lease Agreement;
- (c) (i) the holders of any Indebtedness of the Government accelerate such Indebtedness or declare such Indebtedness to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or (ii) the Government fails to pay in full any principal of, or interest on, any Indebtedness when due (after the expiry of any originally applicable grace period); or (ii) any guarantee of any Indebtedness given by the Government shall not be honoured when due and called upon; **provided that** the aggregate amount of the relevant Indebtedness or guarantee in respect of which one or more of the events mentioned above in this paragraph shall have occurred equals or exceeds U.S.\$50 million (or its equivalent in any other currency or currencies);
- (d) the Government (i) declares that it is unable to pay its debts as they fall due or (ii) enters into any arrangement or composition with or for the benefit of its creditors or declares or imposes a moratorium on the payment of Indebtedness of, or assumed or guaranteed by, it;
- (e) for any reason whatsoever (including any governmental order, decree or enactment made by the Government), it will become unlawful for the Government to perform, comply with or observe, or the Government is prevented from performing, complying with or observing, all or any of its obligations under the Transaction Documents or any such obligation shall be or become unenforceable or invalid, or pursuant to any law or regulation in the Sultanate of Oman, which change or amendment takes place

after 7 June 2021, or pursuant to any declaration by a court of competent jurisdiction or any ruling of any court in the Sultanate of Oman, in each case whose decision is final and unappealable, any such obligation is no longer or shall no longer be legal, valid and binding or enforceable against the Government; or

- (f) the Government or any of its authorised Agencies or officials (acting on its behalf) repudiates or contests the validity of its obligations under the Transaction Documents;

**“Indebtedness”** means any and all present and future obligations, and guarantees or indemnities (whether incurred as principal or surety and including, for the avoidance of doubt, any such indebtedness which is (or is intended to be) in compliance with the principles of *Sharia*) in respect of obligations for monies borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments);

**“Insurances”** means the insurances effected by the Servicing Agent in respect of the Lease Asset(s), as provided for in the Servicing Agency Agreement;

**“ISDA Definitions”** has the meaning given to it in Condition 8.3;

**“ISDA Rate”** has the meaning given to it in Condition 8.3;

**“Lease Asset(s)”** has the meaning given to it in the Lease Agreement;

**“Liability”** means any loss, damage, cost, fee, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis;

**“Lien”** has the meaning given to it in Condition 4.2;

**“Members”** has the meaning given to it in Condition 21(d);

**“Multiple Series Single Limb Extraordinary Resolution”** has the meaning given to it in Condition 19(c)(ii);

**“Multiple Series Single Limb Written Resolution”** has the meaning given to it in Condition 19(c)(iii);

**“Multiple Series Two Limb Extraordinary Resolution”** has the meaning given to it in Condition 19(d)(ii);

**“Multiple Series Two Limb Written Resolution”** has the meaning given to it in Condition 19(d)(iii);

**“nominee”** shall have the meaning given to it in Condition 2.1;

**“Optional Dissolution Call Right”** means the right exercisable by the Trustee at the request of the Government pursuant to Condition 11.2;

**“Optional Dissolution Date”** means the date on which Trust Certificates are to be redeemed in accordance with Condition 11.2, as specified in the relevant Exercise Notice;

**“Payment Business Day”** means:

- (a) a day on which banks in the relevant place of surrender (as required) of the Definitive Trust Certificate are open for payment of registered securities and for dealings in foreign currencies; and
- (b) in the case of payment by transfer to an account:
- (i) if the currency of payment is euro, a TARGET2 Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Additional Financial Centre;

**“Periodic Distribution Amount”** means, in relation to a Trust Certificate and a Return Accumulation Period, the amount of profit payable in respect of that Trust Certificate for that Return Accumulation Period which amount may be a Fixed Amount, a Broken Amount or an amount otherwise calculated in accordance with Conditions 7 or 8 (as the case may be);

**“Periodic Distribution Date”** if the Fixed Periodic Distribution Provisions are specified hereon as being applicable, means the date or dates specified as such hereon and, if the Floating Periodic Distribution Provisions are specified hereon as being applicable, has the meaning given to it in Condition 8.2;

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**“Potential Dissolution Event”** means any condition, circumstance, event or act which, with the giving of notice, lapse of time, declaration, demand, determination of materiality or fulfilment of any other applicable condition (or any combination of the foregoing), could constitute a Dissolution Event;

**“QIBs”** means qualified institutional buyers as defined in Rule 144A under the Securities Act;

**“QP”** means qualified purchaser within the meaning of the United States Investment Company Act 1940, as amended;

**“Rate”** means the rate or rates specified in the applicable Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the applicable Final Terms;

**“Record Date”** (a) means: (i) in respect of a Global Trust Certificate, at the close of the business day (being for this purpose a day on which Euroclear, Clearstream, Luxembourg and/or DTC (as applicable) are open for business) before the relevant Periodic Distribution Date or the relevant Dissolution Date, as the case may be, and (ii) in respect of Definitive Trust Certificates, the date falling on the seventh day before the relevant Periodic Distribution Date or the Dissolution Date, as the case may be, and (b) in the case of meetings of Certificateholders (as provided in Condition 19), has the meaning given to it in Condition 19(a)(vi);

**“Reference Banks”** means the principal London office of four major banks engaged in the London or Eurozone inter-bank market (as the case may be) selected by the Calculation Agent or as specified hereon;

**“Reference Rate”** means one of the following benchmark rates (as specified in the applicable Final Terms) in respect of the Specified Currency and period as specified in the applicable Final Terms:

- (a) LIBOR;
- (b) EURIBOR;
- (c) KIBOR;
- (d) SHIBOR;
- (e) HIBOR;
- (f) KLIBOR;
- (g) TRLIBOR or TRYLIBOR;
- (h) SIBOR;
- (i) EIBOR;
- (j) TIBOR; and
- (k) SAIBOR;

**“Register”** has the meaning given in Condition 2.2;

**“Regulation S”** means Regulation S under the Securities Act;

**“Relevant Date”** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due or (b) if the full amount payable has not been received in the principal financial centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which the full amount has been so received or (if earlier) the date seven days after that on which notice is duly given to Certificateholders in accordance with Condition 18 that, upon further presentation or surrender, as applicable, of the Trust Certificate being made in accordance with these Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation or surrender, as applicable;

**“Relevant Indebtedness”** means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (including *Sharia* compliant certificates) which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market and are denominated or payable, or which at the option of the relevant holder thereof may be payable, in a currency other than the lawful currency of the Sultanate of Oman;

**“Relevant Jurisdiction”** means the Sultanate of Oman or any political subdivision or authority thereof or therein having the power to tax;

**“Relevant Screen Page”** means the page, section or other part of a particular information service specified as the Relevant Screen Page in the applicable Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**“Rentals”** has the meaning given to it in the relevant Supplemental Lease Agreement; **“Reserved Matter”** has the meaning given to it in Condition 19(e);

**“Restricted Global Trust Certificate”** means the Trust Certificates of each Series sold to QIBs who are also QPs in reliance on Rule 144A;

**“Return Accumulation Commencement Date”** means the Issue Date or such other date as specified in the applicable Final Terms;

**“Return Accumulation Period”** means the period from (and including) a Periodic Distribution Date (or the Return Accumulation Commencement Date) to (but excluding) the next (or first) Periodic Distribution Date;

**“Rule 144A”** means Rule 144A under the Securities Act;

**“Rules”** has the meaning given to it in Condition 26.2;

**“Scheduled Dissolution Date”** means the date on which Trust Certificates are to be redeemed in accordance with Condition 11.1;

**“Securities Act”** means the United States Securities Act of 1933;

**“Securities Capable of Aggregation”** has the meaning given to it in Condition 19(a)(x); **“Service Charge Amounts”** has the meaning given to it in the Servicing Agency Agreement; **“Single Series Extraordinary Resolution”** has the meaning given to it in Condition 19(b)(ii); **“Single Series Written Resolution”** has the meaning given to it in Condition 19(b)(iii);

**“Specified Currency”** means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Trust Certificates are denominated;

**“Stock Exchange”** means, in relation to the Trust Certificates, the stock exchange or exchanges (if any) on which the Trust Certificates are for the time being quoted or listed;

**“TARGET2 Settlement Day”** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open;

**“Taxes”** means any present or future tax, levy, impost, duty, fee, assessment or other charge or withholding of whatever nature, and all additional amounts, penalties or similar liabilities with respect thereto;

“**Total Loss Dissolution Date**” has the meaning given to it in Condition 11.3;

“**Total Loss Event**” has the meaning given to it in Condition 11.3;

“**Total Loss Shortfall Amount**” has the meaning given to it in Condition 11.3;

“**Transaction Account**” means the account in the Trustee’s name, details of which are specified in the applicable Final Terms;

“**Trust Assets**” has the meaning given to it in Condition 5.1;

“**Uniformly Applicable**” has the meaning given to it in Condition 19(c)(v);

“**Unrestricted Global Trust Certificate**” means the Trust Certificates of each Series offered and sold in reliance on Regulation S, which will be sold to Persons who are not U.S. persons (as defined in Regulation S) outside the United States; and

“**Written Resolution**” has the meaning given to it in Condition 19(a)(viii).

## 1.2 *Interpretation*

In these Conditions:

- (a) any reference to face amount shall be deemed to include any Dissolution Amount and any other amount in the nature of face amounts payable pursuant to these Conditions;
- (b) any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Conditions 11 and 13 and any other amount in the nature of a profit distribution payable pursuant to these Conditions;
- (c) references to Trust Certificates being “outstanding” shall be construed in accordance with the Master Trust Deed; and
- (d) any reference to a Transaction Document shall be construed as a reference to that Transaction Document as amended and/or supplemented up to and including the relevant Issue Date.

## 2. **Form, Denomination and Title**

### 2.1 *Form and Denomination*

The Trust Certificates are issued in registered form in the Specified Denominations and, in the case of Definitive Trust Certificates, are serially numbered.

Upon issue, the Trust Certificates will be represented by Global Trust Certificates which will be registered in the name of nominees for Euroclear, Clearstream, Luxembourg and/or DTC (as applicable). Trust Certificates sold to QIBs who are also QPs in the United States in reliance on Rule 144A under the Securities Act will be represented by a Restricted Global Trust Certificate. Trust Certificates sold to investors outside the United States in reliance on Regulation S under the Securities Act will be represented by an Unrestricted Global Trust Certificate.

For so long as any of the Trust Certificates is represented by a Global Trust Certificate held on behalf of Euroclear, Clearstream, Luxembourg and/or DTC (as applicable), each Person (other than Euroclear, Clearstream, Luxembourg or DTC (as applicable)) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or DTC (as applicable) as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or DTC (as applicable) as to the face amount of such Trust Certificates standing to the account of any Person shall be conclusive and binding for all purposes save in the case of manifest error or proven error) shall be treated by the Trustee, the Delegate, the Government and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to payment in respect of such Trust Certificates, for which purpose the registered holder (the “**nominee**”) of the Global Trust Certificate shall be treated by the Trustee, the Delegate, the Government and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Trust Certificate, and the expressions

“**Certificateholder**” and “**holder**” in relation to any Trust Certificates and related expressions shall be construed accordingly. Each Certificateholder must look solely to Euroclear, Clearstream Luxembourg or DTC, as the case may be, for its share of each payment made to the nominee.

Trust Certificates which are represented by a Global Trust Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, and/or DTC (as applicable).

References to Euroclear, Clearstream, Luxembourg and/or DTC 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.

## 2.2 **Register**

The Registrar will maintain a register (the “**Register**”) of Certificateholders in respect of the Trust Certificates in accordance with the provisions of the Agency Agreement. In the case of Trust Certificates in definitive form, a Definitive Trust Certificate will be issued to each Certificateholder in respect of its registered holding of Trust Certificates.

## 2.3 **Title**

The Trustee, the Delegate, the Government and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the Person in whose name any outstanding Trust Certificate is for the time being registered (as set out in the Register) as the holder of such Trust Certificate or of a particular face amount of the Trust Certificates for all purposes (whether or not such Trust Certificate or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft of or any writing on the Definitive Trust Certificate representing it), and the Trustee, the Delegate, the Government and the Agents shall not be affected by any notice to the contrary.

All payments made to such registered holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Trust Certificate or face amount.

## 3. **Transfers of Trust Certificates**

### 3.1 **Transfers of beneficial interests in the Global Trust Certificate**

Transfers of beneficial interests in the Global Trust Certificate will be effected by Euroclear, Clearstream, Luxembourg or DTC (as applicable), and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Trust Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Definitive Trust Certificates only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC (as applicable) and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

### 3.2 **Transfers of Trust Certificates in Definitive Form**

#### (a) *Transfer*

Subject to this Condition 3.2 and Conditions 3.3 and 3.4, a Definitive Trust Certificate may be transferred in whole or in an amount equal to the Specified Denomination or any integral multiple thereof by depositing the Definitive Trust Certificate, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar.

#### (b) *Delivery of new Definitive Trust Certificates*

Each new Definitive Trust Certificate to be issued upon transfer of Definitive Trust Certificates will, within five business days of receipt by the Registrar of the duly completed form of transfer endorsed on the relevant Definitive Trust Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Definitive Trust Certificate to the address specified in the form of transfer. For the purposes of this Condition, “**business day**” shall mean a day on which banks are open for business in the city in which the specified office of the Registrar is located.

Where some but not all of the Trust Certificates in respect of which a Definitive Trust Certificate is issued are to be transferred, a new Definitive Trust Certificate in respect of the Trust Certificates not so transferred will, within five business days of receipt by the Registrar of the original Definitive Trust Certificate, be mailed by uninsured mail at the risk of the holder of the Trust Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

### 3.3 *Closed periods*

No Certificateholder may require the transfer of a Definitive Trust Certificate to be registered during the period of 15 days ending on a Periodic Distribution Date or a Dissolution Date or any other date on which any payment of the face amount or payment of any profit in respect of a Trust Certificate falls due.

### 3.4 *Formalities free of charge*

Transfers of Definitive Trust Certificates on registration or exercise of an early dissolution right will be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agent, but upon payment (or the giving of such indemnity as the Trustee, the Registrar and/or the Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

### 3.5 *Compulsory Sale*

If at any time a beneficial owner of an interest in a Restricted Global Trust Certificate is a U.S. person within the meaning of Regulation S that is not a QIB and a QP, the Trustee may: (a) compel such beneficial owner to sell its interest in such Restricted Global Trust Certificate to a person who is: (i) a U.S. person who is a QIB and a QP that is otherwise qualified to purchase the Trust Certificates represented hereby in a transaction exempt from registration under the Securities Act; or (ii) not a U.S. person within the meaning of Regulation S; or (b) compel the beneficial owner to sell its interest in the Restricted Global Trust Certificates to the Trustee or an affiliate of the Trustee or transfer its interest in such Restricted Global Trust Certificates to a Person designated by or acceptable to the Trustee at a price equal to the lesser of (x) the purchase price paid by the beneficial owner, (y) 100% of the face amount of the beneficial owner's interest in the Restricted Global Trust Certificate and (z) the fair market value of such interest in the Restricted Global Trust Certificate. The Trustee has the right to refuse to honour a transfer of an interest in the Restricted Global Trust Certificates to a U.S. person who is not a QIB and a QP.

### 3.6 *Regulations*

All transfers of Definitive Trust Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Trust Certificates scheduled to the Master Trust Deed. A copy of the then current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests one. Notwithstanding the above, the Trustee may from time to time agree with the Registrar reasonable regulations to govern the transfer and registration of Definitive Trust Certificates.

## 4. **Status and Limited Recourse**

### 4.1 *Status*

Each Trust Certificate evidences an undivided ownership interest in the Trust Assets subject to the terms of the Trust Deed and these Conditions and is a limited recourse obligation of the Trustee. Each Trust Certificate ranks *pari passu*, without any preference or priority, with all other Trust Certificates.

The payment obligations of the Government (acting in all its capacities) under the Transaction Documents are direct, unconditional and (subject to the negative pledge provisions described in Condition 4.2) unsecured obligations of the Government and rank and (subject to the negative pledge provisions described in Condition 4.2) will rank *pari passu*, without any preference among themselves, with all Relevant Indebtedness of the Government, from time to time outstanding, **provided, further, that** the Government shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Relevant Indebtedness and, in particular, shall have no obligation to pay other Relevant Indebtedness at the same time or as a condition of paying sums due on the Trust Certificates and vice versa.

#### 4.2 *Negative Pledge*

The Purchase Undertaking provides that so long as any Trust Certificate remains outstanding (as defined in the Master Trust Deed), the Government (acting in any capacity) will not and will ensure that no Agency will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (any of the foregoing, a “**Lien**”), upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to its obligations under the Transaction Documents the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution; **provided, however, that** the foregoing shall not apply to any Lien solely incurred for the purpose of financing all or a part of the costs of the acquisition, construction or development of a project, **provided that** the property over which such Lien is granted consists solely of the assets and revenues of such project (including, without limitation, royalties and other similar payments accruing to the Government and/or such Agency (as applicable) generated by the relevant project). For the avoidance of any doubt, the right of holders of *Sharia*-compliant certificates to require the issuer thereof to sell the relevant underlying asset(s) to the Trustee (or any person on its behalf) following a default thereunder, however described, shall not of itself comprise a security interest for the purposes of the foregoing.

#### 4.3 *Limited Recourse*

Proceeds of the Trust Assets are the sole source of payments on the Trust Certificates. Save as provided in this Condition 4.3, the Trust Certificates do not represent an interest in any of Trustee, the Delegate, the Government, any of the Agents or any of their respective affiliates.

The Government is obliged to make payments under the relevant Transaction Documents to which it is a party directly to the Trustee and the Delegate, for and on behalf of the Certificateholders, and the Trustee and the Delegate (as well as the Certificateholders in the circumstances described in Condition 16.3 only) will have direct recourse against the Government to recover payments due to the Trustee or the Delegate from the Government pursuant to such Transaction Documents (such payments forming part of the Trust Assets) notwithstanding any other provisions of these Conditions. Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 4.2) constitute an unsecured claim against the Government. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Government in connection with the enforcement of any such claim.

The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Trust Certificates.

#### 4.4 *Agreement of Certificateholders*

By subscribing for or acquiring the Trust Certificates, each Certificateholder acknowledges and agrees that notwithstanding anything to the contrary contained herein or in any other Transaction Document:

- (a) no payment of any amount whatsoever shall be made by the Trustee (acting in any capacity) or any of its agents on its behalf except to the extent funds are available therefor from the Trust Assets and further agrees that no recourse shall be had for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon any Transaction Document, against the Trustee to the extent the Trust Assets have been exhausted following which all unsatisfied claims against the Trustee shall be extinguished;
- (b) if the proceeds of the relevant Trust Assets are insufficient to make all payments due in respect of the Trust Certificates, subject to Condition 16.3, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services providers in their capacity as such) (other than the relevant Trust Assets in the manner and to the extent contemplated in these Conditions and the Transaction Documents), or the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in respect of any shortfall or otherwise;
- (c) it will not institute against, or join with any other Person in instituting against, the Trustee any bankruptcy, arrangement, reorganisation, administration or liquidation proceedings or other proceedings under any bankruptcy or similar law in any jurisdiction;



- (d) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under or in connection with these Conditions by virtue of any law, statute or otherwise shall be had against any shareholder, officer or director of the Trustee, in their capacity as such, and any and all personal Liability of every such shareholder, officer or director in their capacity as such for any breaches by the Trustee of any such duty, obligation or undertaking is hereby expressly waived and excluded to the extent permitted by law save in the case of the relevant party's actual fraud; and
- (e) neither the Government nor the Certificateholders shall be entitled to claim or exercise any right of set-off or counterclaim in respect of any sums due under these Conditions or any part thereof with respect to any liability owed by it to the Trustee or claim any lien or other rights over any property held by it on behalf of the Trustee.

## 5. **The Trust**

### 5.1 ***Trust Assets***

The "**Trust Assets**" will comprise:

- (a) the cash proceeds of the Trust Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) the rights, title and interest, present and future, of the Trustee in, to and under the Lease Asset(s);
- (c) the rights, title, interest and benefit, present and future, of the Trustee in, to and under the Transaction Documents;
- (d) all monies standing to the credit of the Transaction Account from time to time; and
- (e) all proceeds of the foregoing.

### 5.2 ***Application of Proceeds from the Trust Assets***

Pursuant to the Trust Deed, the Trustee holds the Trust Assets on trust absolutely for and on behalf of the Certificateholders. On each Periodic Distribution Date, or on any Dissolution Date, the Principal Paying Agent, notwithstanding any instructions to the contrary from the Trustee, will apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate;
- (b) *secondly*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (c) *thirdly*, only if such payment is made on any Dissolution Date, to the Principal Paying Agent in or towards payment *pari passu* and rateably of the Dissolution Amount;
- (d) *fourthly*, only if such payment is made on any Dissolution Date on which all the Trust Certificates of the relevant Series are redeemed in full, to the Servicing Agent in or towards payment of all outstanding Service Charge Amounts (if any); and
- (e) *fifthly*, only if such payment is made on any Dissolution Date on which all the Trust Certificates of the relevant Series are redeemed in full, to the Government.

## 6. **Covenants**

6.1 Subject to Conditions 6.2 and 6.3, the Trustee covenants that for so long as any Trust Certificate is outstanding, it will not (without the prior written consent of the Delegate and as provided in Condition 19):

- (a) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any Person or issue any shares (or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;

- (b) grant or permit to be outstanding any Lien upon any of its present or future assets, properties or revenues (other than those arising by operation of law);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to any Transaction Document;
- (d) use the proceeds of the issue of the Trust Certificates for any purpose other than as stated in the Transaction Documents;
- (e) amend or agree to any amendment of any Transaction Document to which it is a party or its constitutional documents;
- (f) have any subsidiaries or employees;
- (g) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders (excluding, for the avoidance of doubt, any consideration payable by the Trustee (acting in any capacity) to the Government (acting in any capacity) as contemplated by the Transaction Documents or these Conditions);
- (h) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up, dissolution or liquidation or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (i) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
  - (i) any such contract, transaction, amendment, obligation or liability in relation to its operations that is of a routine or administrative nature;
  - (ii) as provided for or permitted under the Transaction Documents;
  - (iii) the ownership, management and disposal of Trust Assets as provided in the Transaction Documents; and
  - (iv) such other matters which are incidental thereto.

6.2 Nothing in sub-paragraphs (a) and (i) of Condition 6.1 above shall prevent the Trustee from issuing (or entering into any transaction for the purpose of issuing or entering into any contract in relation thereto or performing any of its obligations thereunder) any sukuk, certificates or other securities intended to be issued in compliance with the principles of *Sharia* **provided that:** (a) such securities are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; (b) in respect of such securities, the obligations of the Government to the Trustee shall rank at least *pari passu* with the obligations of the Government to the Trustee in respect of the Trust Certificates; and (c) the obligations of the Trustee in respect of such securities shall rank *pari passu* with the Trust Certificates.

6.3 Nothing in these Conditions shall prevent the Trustee from taking any action required to comply with applicable laws, rules and regulations applicable in the Sultanate of Oman.

## 7. **Fixed Periodic Distribution Provisions**

### 7.1 ***Application***

This Condition 7 is applicable to the Trust Certificates only if the Fixed Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable.

## 7.2 *Periodic Distribution Amount*

Periodic Distribution Amounts will be payable in respect of the Trust Certificates and will be distributable by the Trustee to the Certificateholders in accordance with these Conditions.

## 7.3 *Determination of Periodic Distribution Amount*

Except as provided in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Definitive Trust Certificate for any Return Accumulation Period shall be the Fixed Amount. Payments of Periodic Distribution Amount in respect of Definitive Trust Certificates on any Periodic Distribution Date may, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except in the case of Definitive Trust Certificates where a Fixed Amount or Broken Amount is specified in the applicable Final Terms, the Periodic Distribution Amount shall be calculated in respect of any period by applying the Rate applicable to the relevant Return Accumulation Period to:

- (a) in the case of Trust Certificates which are represented by a Global Trust Certificate, the aggregate outstanding face amount of the Trust Certificates represented by such Global Trust Certificate; or
- (b) in the case of Definitive Trust Certificates, the Calculation Amount specified hereon (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 subunit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Definitive Trust Certificate is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Trust Certificate 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 a Periodic Distribution Amount in accordance with this Condition 7.3:

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (i) in the case of Trust Certificates where the number of days in the relevant period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accumulation 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 (A) the number of days in such Determination Period and (B) 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 Trust Certificates 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; and
- (b) if “**30/360**” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accumulation 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.

In these Conditions:

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Return Accumulation Commencement Date or the final Periodic Distribution 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); and

“**sub-unit**” means, with respect to any currency other than euro, 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.

#### 7.4 ***Payment in Arrear***

Subject to Condition 7.5, Conditions 11.2 to 11.5 and Condition 15, and unless otherwise specified in the applicable Final Terms, each Periodic Distribution Amount will be paid in respect of the relevant Trust Certificates in arrear on each Periodic Distribution Date in respect of the Return Accumulation Period ending immediately before that Periodic Distribution Date.

#### 7.5 ***Cessation of Profit Entitlement***

No further amounts will be payable on any Trust Certificate from and including (a) any Dissolution Date (excluding a Total Loss Dissolution Date), unless default is made in the payment of the Dissolution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Trust Certificates in the manner provided in this Condition 7.5 to the earlier of (i) the Relevant Date or (ii) the date on which a sale agreement is executed pursuant to the Sale and Substitution Undertaking or the Purchase Undertaking, as the case may be; and (b) save as described in Condition 11.3, the Total Loss Dissolution Date.

### 8. **Floating Periodic Distribution Provisions**

#### 8.1 ***Application***

This Condition 8 is applicable to the Trust Certificates only if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable.

#### 8.2 ***Periodic Distribution Amounts***

Periodic Distribution Amounts will be payable in respect of the Trust Certificates and will be distributable by the Trustee to the Certificateholders in accordance with these Conditions. Such Periodic Distribution Amounts will be payable in arrear on either:

- (a) the Specified Periodic Distribution Date(s) specified in the applicable Final Terms; or
- (b) if no Specified Periodic Distribution Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Periodic Distribution Date, a “**Periodic Distribution Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Return Accumulation Commencement Date.

Such Periodic Distribution Amounts will be payable in respect of each Return Accumulation Period ending immediately before the relevant Periodic Distribution 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 a Periodic Distribution Date should occur or (y) if any Periodic Distribution 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 8.2(b), the Floating Rate Convention, such Periodic Distribution 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 Periodic Distribution Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Periodic

Distribution Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Periodic Distribution Date occurred; or

- (B) the Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Periodic Distribution 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 Periodic Distribution Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**Business Day**” means a day which is:

- (a) a day on which commercial banks and foreign exchange markets are open for general business (including dealing in foreign exchange and foreign currency deposits) and settle payments in the Specified Currency in the Additional Business Centre(s) or, if no Specified Currency is indicated, generally in each Additional Business Centre specified in the applicable Final Terms; or
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, 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 (if other than the Additional Business Centre) or (ii) in relation to any sum payable in euro, a TARGET2 Settlement Day.

### 8.3 **ISDA Determination**

If ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate(s) is/are to be determined, the Rate applicable to the Trust Certificates for each Return Accumulation 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 Clause 8.3, “**ISDA Rate**” for a Return Accumulation Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a 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 Trust Certificates (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 first day of the relevant Return Accumulation Period unless otherwise specified in the applicable Final Terms.

For the purposes of this Clause 8.3, “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

### 8.4 **Screen Rate Determination**

- (a) If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate(s) is/are to be determined, the Rate applicable to the Trust Certificates for each Return Accumulation Period will, subject as provided below, be either:
  - (i) the offered quotation; or
  - (ii) 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 which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Periodic Distribution Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as

determined by the Calculation 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 highest quotation, one only of those quotations) and the lowest (or, if there is more than one lowest quotation, one only of those quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of the offered quotations.

- (b) If the Relevant Screen Page is not available or if, in the case of Condition 8.4(a)(i), no offered quotation appears or, in the case of Condition 8.4(a)(ii), fewer than three offered quotations appear, in each case as at the Relevant Time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate *per annum*) for the Reference Rate at approximately the Relevant Time on the Periodic Distribution Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate for such Return Accumulation 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 Calculation Agent.
- (c) If on any Periodic Distribution Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in Condition 8.4(b), the Rate for such Return Accumulation Period shall be the rate *per annum* which the Calculation 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 Calculation 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 Periodic Distribution 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 inter-bank market that is most closely connected with the Reference Rate plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such 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 Periodic Distribution Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Government suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the inter-bank market that is most closely connected with the Reference Rate plus or minus (as appropriate) the Margin (if any), **provided that**, if the Rate for such Return Accumulation Period cannot be determined in accordance with the foregoing provisions of this 8.4(c), the Rate for such Return Accumulation Period shall be determined as at the last preceding Periodic Distribution Determination Date (though substituting, where a different Margin is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin relating to the relevant Return Accumulation Period in place of the Margin relating to that last preceding Return Accumulation Period).

## 8.5 *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of a Return Accumulation Period in the applicable Final Terms, the Rate for such Return Accumulation Period shall be calculated by the Calculation 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 Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Return Accumulation 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 Return Accumulation 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 than the length of the relevant Return Accumulation Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Applicable 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 (as defined in Condition 8.3).

## 8.6 *Cessation of Profit Entitlement*

No further amounts will be payable on any Trust Certificate from and including: (a) any Dissolution Date (excluding a Total Loss Dissolution Date), unless default is made in the payment of the Dissolution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Trust Certificates in the manner provided in this Condition 8.6 to the earlier of (i) the Relevant Date; or (ii) the date on which a sale agreement is executed pursuant to the Sale and Substitution Undertaking or the Purchase Undertaking, as the case may be; and (b) save as described in Condition 11.3, the Total Loss Event Dissolution Date.

## 8.7 *Calculation of Periodic Distribution Amount*

The Calculation Agent will, as soon as practicable after the time at which the Rate is to be determined in relation to each Return Accumulation Period, calculate the Periodic Distribution Amount payable in respect of each Trust Certificate for such Return Accumulation Period. The Periodic Distribution Amount will be calculated by applying the Rate (subject to any Maximum Rate or Minimum Rate as specified in the applicable Final Terms) applicable to the relevant Return Accumulation Period to:

- (a) in the case of Trust Certificates which are represented by a Global Trust Certificate, the aggregate outstanding face amount of the Trust Certificates represented by such Global Trust Certificate; or
- (b) in the case of Definitive Trust Certificates, 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 subunit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Definitive Trust Certificate is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Trust Certificate 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 a Periodic Distribution Amount in accordance with this Condition 8:

- (a) if “**Actual/Actual (ISDA)**” or “**Actual/Actual**” is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 (or, if any portion of that Return Accumulation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Return Accumulation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Return Accumulation Period falling in a non-leap year divided by 365);
- (b) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365;
- (c) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 or, in the case of a Periodic Distribution Date falling in a leap year, 366;
- (d) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 360;
- (e) if “**30/360**” “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Return Accumulation 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<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (f) if “**30E/360**” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Return Accumulation 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (g) if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, the number of days in the Return Accumulation 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Return Accumulation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and



“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation 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<sub>2</sub> will be 30.

- (h) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
- (i) in the case of Trust Certificates where the number of days in the relevant period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accumulation 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 (A) the number of days in such Determination Period and (B) 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 Trust Certificates 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.

## 8.8 **Calculation Agent**

The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Final Terms and for so long as any Trust Certificate is outstanding. Where more than one Calculation Agent is appointed in respect of the Trust Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate for a Return Accumulation Period or to calculate any Periodic Distribution Amount or Dissolution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior written approval of the Delegate) appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 8.9 **Benchmark Discontinuation**

### (a) **Independent Adviser**

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Trustee or the Government, as the case may be, shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in each case, in accordance with Condition 8.9(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 8.9(c)) and any Benchmark Amendments (in accordance with Condition 8.9(d)).

In making such determination, the Independent Adviser appointed pursuant to this Condition 8.9 shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Trustee and the Government, as the case may be. In the absence of bad faith, wilful default or fraud, the Independent Adviser shall have no liability whatsoever to the Trustee, the Government, the Delegate, the Paying Agents, or the Certificateholders for any determination made by it pursuant to this Condition 8.9.

If (i) the Trustee or the Government, as the case may be, is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an

Alternative Rate in accordance with this Condition 8.9(a) prior to the relevant Periodic Distribution Determination Date, the Rate applicable to the next succeeding Return Accumulation Period shall be equal to the Rate last determined in relation to the Trust Certificates in respect of the immediately preceding Return Accumulation Period. If there has not been a first Periodic Distribution Date, the Rate shall be the initial Rate. Where a different Margin or Maximum Rate or Minimum Rate is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin or Maximum Rate or Minimum Rate (as the case may be) relating to the relevant Return Accumulation Period shall be substituted in place of the Margin or Maximum Rate or Minimum Rate relating to that last preceding Return Accumulation Period. For the avoidance of doubt, this Condition 8(a) shall apply to the relevant next succeeding Return Accumulation Period only and any subsequent Return Accumulation Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 8.

(b) **Successor Rate or Alternative Rate**

If the Independent Adviser determines that:

- (i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate (or the relevant component part thereof) for all future payments of profit on the Trust Certificates (subject to the operation of this Condition 8.9); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate (or the relevant component part thereof) for all future payments of profit on the Trust Certificates (subject to the operation of this Condition 8.9).

(c) **Adjustment Spread**

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(d) **Benchmark Amendments**

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 8.9 and the Independent Adviser determines (i) that amendments to these Conditions and/or the Master Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (as the case may be) (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Trustee or the Government, as the case may be, shall, subject to giving notice thereof in accordance with Condition 8.9(e), without any requirement for the consent or approval of Certificateholders, vary these Conditions and/or the Master Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Trustee or the Government, as the case may be, but subject to receipt by the Delegate of a certificate signed by two Authorised Signatories of the Trustee or the Government, as the case may be, pursuant to Condition 8.9(e), the Delegate shall (at the expense of the Trustee or the Government, as applicable), without any requirement for the consent or approval of the Certificateholders, be obliged to concur with the Trustee or the Government, as the case may be, in effecting any Benchmark Amendments (including, inter alia, by the execution of a deed supplemental to or amending the Master Trust Deed), provided that the Delegate shall not be obliged so to concur if in the opinion of the Delegate doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Delegate in these Conditions or the Master Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 8.9(d), the Trustee or the Government, as the case may be, shall comply with the rules of any stock exchange on which the Trust Certificates are for the time being listed or admitted to trading.

(e) **Notices, etc.**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 8.9 will be notified promptly by the Trustee or the Government, as the case may be, to the Delegate, the Calculation Agent, the Paying Agents and, in accordance with Condition 18, the Certificateholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Delegate of the same, the Trustee or the Government, as the case may be, shall deliver to the Delegate a certificate signed by two Authorised Signatories of the Trustee or the Government, as the case may be:

- (i) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate and, (iii) where applicable, any Adjustment Spread and/or (iv) the specific terms of any Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 8.9; and
- (ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and (in either case) the applicable Adjustment Spread.

The Delegate shall be entitled to rely on such certificate (without further enquiry and without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Delegate's ability to rely on such certificate as aforesaid) be binding on the Trustee, the Government, the Delegate, the Calculation Agent, the Paying Agents and the Certificateholders.

(f) **Survival of Original Reference Rate**

Without prejudice to the obligations of the Trustee and the Government under Condition 8.9(a), 8.9(b), 8.9(c) and 8.9(d), the Original Reference Rate and the fallback provisions provided for in Condition 8 will continue to apply unless and until a Benchmark Event has occurred.

(g) **Definitions**

As used in this Condition 8:

**"Adjustment Spread"** means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or
- (iii) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

**"Alternative Rate"** means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 8.9(b) is customarily applied in international debt capital markets transactions for the purposes of determining rates of profit (or the relevant component part thereof) in the same Specified Currency as the Trust Certificates.

“**Authorised Signatory**” means any person who: (a) is an Initial Authorised Person; or (b) has been notified by either the Trustee or the Government in writing to the Delegate as being duly authorised to sign documents and to do other acts and things on behalf of the Trustee or the Government, as the case may be, for the purposes of the Programme.

“**Benchmark Amendments**” has the meaning given to it in Condition 8.9(d).

“**Benchmark Event**” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Trust Certificates; or
- (v) it has become unlawful for any Paying Agent, Calculation Agent, the Trustee or other party to calculate any payments due to be made to any Certificateholder using the Original Reference Rate,

**provided that** in the case of sub-paragraphs (ii), (iii) and (iv), the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Trustee or the Government, as the case may be, under Condition 8.9(a).

“**Initial Authorised Person**” has the meaning given to it in the Master Trust Deed.

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate (or any component part thereof) on the Trust Certificates.

“**Relevant Nominating Body**” means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

## 8.10 *Publication*

The Calculation Agent will cause each Rate, Periodic Distribution Amount and Dissolution Amount determined by it, together with the relevant Periodic Distribution Date and Dissolution Date, respectively, and any other

rates(s) or amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Trustee, the Government, the Delegate, the Agents and each listing authority, stock exchange and/or quotation system (if any) by or on which the Trust Certificates have been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate, Periodic Distribution Amount and Periodic Distribution Date) in any event not later than the first day of the relevant Return Accumulation Period. Notice thereof shall also be given promptly to the Certificateholders in accordance with Condition 18. The Calculation Agent will be entitled to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without prior notice in the event of an extension or shortening of the relevant Return Accumulation Period. Any such amendment shall be notified promptly to any relevant stock exchange and/or quotation system, as the case may be, and to the Certificateholders in accordance with Condition 18.

#### 8.11 *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8 by the Calculation Agent will (in the absence of wilful default, bad faith or manifest or proven error) be binding on the Trustee, the Delegate, the Principal Paying Agent and all Certificateholders. No Liability to the Trustee, the Delegate, the Government the Principal Paying Agent or the Certificateholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 8 (save in the case of wilful default, bad faith or manifest or proven error).

### 9. **Payment**

Payment of Dissolution Amounts and Periodic Distribution Amounts will be made by transfer to the registered account (as defined below) of a Certificateholder. Payments of Dissolution Amounts (where all of the Trust Certificates of the relevant Series are to be redeemed in full) will only be made against surrender of the relevant Trust Certificate (or the Definitive Trust Certificate representing such Trust Certificate) at the specified office of the Registrar or the Principal Paying Agent. Dissolution Amounts and Periodic Distribution Amounts will be paid to the Certificateholder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition 9, a Certificateholder's "**registered account**" means the account in the Specified Currency maintained by or on behalf of such Certificateholder with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date.

All such payments will be made subject to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions described in Condition 13. No commissions or expenses shall be charged to the Certificateholders in respect of such payments.

Payment instructions will be initiated on the Payment Business Day preceding the due date for payment or, in the case of a payment of face amounts (where all of the Trust Certificates of the relevant Series are to be redeemed in full) if later, on the Payment Business Day on which the relevant Trust Certificate (or the Definitive Trust Certificate representing such Trust Certificate) is surrendered at the specified office of the Registrar or the Principal Paying Agent.

Certificateholders will not be entitled to any payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Certificateholder is late in surrendering its Trust Certificate (if required to do so in accordance with this Condition 9).

If the amount of any Dissolution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount of such Dissolution Amount or Periodic Distribution Amount in fact paid.

### 10. **Agents**

#### 10.1 *Agents of Trustee*

In acting under the Agency Agreement and in connection with the Trust Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate, and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders.

## 10.2 *Specified Offices*

The names of the initial Agents are set out above. 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 Final Terms attached to or endorsed on this Trust Certificate. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents **provided, however**, that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be a Registrar;
- (c) if a Calculation Agent (other than the Principal Paying Agent) has been appointed in the applicable Final Terms, there will at all times be a Calculation Agent; and
- (d) so long as any Trust Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent, Registrar and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system.

Notice of any variation, termination or appointment of any Agent and of any changes in specified offices will be given to the Certificateholders promptly by the Trustee in accordance with Condition 18.

## 11. **Capital Distributions of Trust**

### 11.1 *Scheduled Dissolution*

Unless the Trust Certificates are redeemed, purchased and/or cancelled earlier, each Trust Certificate will be redeemed on the Scheduled Dissolution Date at its Final Dissolution Amount, including all unpaid Periodic Distribution Amounts accrued (if any) to (but excluding) the Scheduled Dissolution Date. Upon payment in full of such amounts, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable, and the Trustee shall have no further obligations, in respect thereof.

### 11.2 *Dissolution at the Option of the Government (Optional Dissolution Call Right)*

If the Optional Dissolution Call Right option is specified in the applicable Final Terms as being applicable, the Government may in its sole discretion deliver to the Trustee a duly completed Exercise Notice, subject to and in accordance with the provisions of the Sale and Substitution Undertaking and, on receipt of such notice, the Trustee shall redeem the Trust Certificates in whole but not in part on any Optional Dissolution Date at the relevant Optional Dissolution Amount (Call), including all unpaid Periodic Distribution Amounts (if any) accrued to (but excluding) the Optional Dissolution Date on the Trustee giving not less than 30 days' nor more than 60 days' notice to the Delegate and the Certificateholders (or such other notice period as may be specified hereon) in accordance with Condition 18 (which notice shall be irrevocable and shall oblige the Trustee to redeem the Trust Certificates on the relevant Optional Dissolution Date).

### 11.3 *Dissolution following a Total Loss Event*

Upon the occurrence of a Total Loss Event (as defined below) and unless the Lease Asset(s) is/are replaced as provided in the Servicing Agency Agreement by no later than the 30th day after the occurrence of a Total Loss Event, the Trust Certificates will be redeemed and the Trust dissolved by no later than the close of business in London on the 31st day after the occurrence of the Total Loss Event (or, if such date is not a Payment Business Day, on the immediately following Payment Business Day) (the "**Total Loss Dissolution Date**"), following notification thereof to the Delegate and the Certificateholders in accordance with Condition 18. The Trust Certificates will be redeemed using the proceeds of: (a) the Insurances payable in respect of the Total Loss Event, which are required to be paid into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event; and (b) if required, the Total Loss Shortfall Amount which is required to be paid into the Transaction Account by no later than the close of business in London on the 30th day after the occurrence of the Total Loss Event.

A "**Total Loss Event**" is the total loss or destruction of, or damage to the whole of, the Lease Asset(s) or any event or occurrence that renders the whole of the Lease Asset(s) permanently unfit for any economic use and

(but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Lease Asset(s)) the repair or remedial work in respect thereof is wholly uneconomical.

The Servicing Agency Agreement provides that if the obligations of the Servicing Agent thereunder are not strictly complied with and as a result any proceeds of Insurances paid into the Transaction Account are less than the Full Reinstatement Value (the difference between such amount and the amount (if any) paid into the Transaction Account being the “**Total Loss Shortfall Amount**”), the Servicing Agent shall be responsible for paying the Total Loss Shortfall Amount into the Transaction Account by no later than close of business in London on the Total Loss Dissolution Date.

#### 11.4 *Dissolution at the Option of the Certificateholders*

If Certificateholder Put Right is specified in the applicable Final Terms as being applicable, upon the holder of any Trust Certificate giving to the Trustee in accordance with Condition 18 (with a copy to the Delegate) not less than 15 days’ nor more than 30 days’ notice (or such other notice period as may be specified hereon), the Trustee will, upon the expiry of such notice, redeem such Trust Certificate on the Certificateholder Put Right Date and at the Optional Dissolution Amount (Put) specified in, or determined in the manner specified in, the applicable Final Terms, including all unpaid Periodic Distribution Amounts (if any) accrued to (but excluding) the relevant Certificateholder Put Right Date. For the purposes thereof, the Trustee (or the Delegate (on behalf of the Trustee)) shall deliver to the Government a duly completed Exercise Notice (in the case of delivery by the Trustee, with a copy to the Delegate), subject to and in accordance with the provisions of the Purchase Undertaking. Trust Certificates may be redeemed under this Condition 11.4 in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of any Trust Certificate pursuant to this Condition 11.4 the holder thereof must, if the Trust Certificate is represented by a Definitive Trust Certificate and held outside Euroclear, Clearstream, Luxembourg and DTC (as applicable), deliver, at the specified office of the Registrar at any time during normal business hours of such Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) set out in the Agency Agreement and obtainable from any specified office of 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 11.4 and the aggregate face amount thereof to be redeemed and, if less than the full aggregate face amount of the Definitive Trust Certificates so surrendered is to be redeemed, an address to which a new Definitive Trust Certificate in respect of the balance of such Definitive Trust Certificates is to be sent subject to and in accordance with the provisions of Condition 3.

If the relevant Trust Certificate is represented by a Global Trust Certificate and held through Euroclear, Clearstream, Luxembourg or DTC (as applicable), to exercise the right to require redemption thereof the holder of such Trust Certificate must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC (as applicable) (which may include notice being given on such Certificateholder’s instruction by Euroclear, Clearstream, Luxembourg, DTC or any depository or custodian (as applicable) for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and/or DTC (as applicable) from time to time and at the same time present or procure the presentation of the relevant Global Trust Certificate to the Principal Paying Agent for notation accordingly.

No Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC (as applicable) given by a holder of any Trust Certificate pursuant to this Condition 11.4 may be withdrawn without the prior consent of the Trustee except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Trust Certificates are to be redeemed pursuant to Condition 15, in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 11.4.

#### 11.5 *Dissolution at the Option of the Government (Clean Up Call Right)*

If Clean Up Call Right is specified in the applicable Final Terms as being applicable and 75% or more of the aggregate face amount of the Trust Certificates then outstanding have been redeemed and/or purchased and cancelled pursuant to this Condition 11 or Condition 12, the Government may in its sole discretion deliver to the Trustee a duly completed Exercise Notice, subject to and in accordance with the provisions of the Sale and Substitution Undertaking, and, on receipt of such notice, the Trustee shall redeem the Trust Certificates in whole but not in part, on the Trustee giving not less than 30 days’ nor more than 60 days’ notice (or such other notice period as may be specified in the applicable Final Terms, such notice period being given within 30 days after the Certificateholder Put Right Date, if applicable) to the Delegate and the Certificateholders in accordance with

Condition 18 (which notice shall be irrevocable and shall oblige the Trustee to redeem the Trust Certificates on the date specified in such notice (the “**Clean Up Call Right Dissolution Date**”), at the Clean Up Call Dissolution Amount specified in, or determined in the manner specified in, the applicable Final Terms, including all unpaid Periodic Distribution Amounts (if any) accrued to (but excluding) the Clean Up Call Right Dissolution Date.

#### 11.6 ***Dissolution following a Dissolution Event***

Upon the occurrence of a Dissolution Event, the Trust Certificates may be redeemed at their Dissolution Event Amount specified in, or determined in the manner specified in, the applicable Final Terms, including all unpaid Periodic Distribution Amounts (if any) accrued to (but excluding) the Dissolution Event Redemption Date, subject to and as more particularly described in Condition 15 and this Condition 11.

#### 11.7 ***No Other Optional Early Dissolution***

Neither the Trustee nor the Certificateholders shall be entitled to redeem, or cause to be redeemed, as applicable, the Trust Certificates, otherwise than as provided in this Condition 11 and Condition 15. Upon payment in full of all amounts due in respect of the Trust Certificates of any Series the Trustee shall be bound to dissolve the Trust and the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and neither the Government nor the Trustee shall have any further obligations in respect thereof.

#### 11.8 ***Cancellation***

All Trust Certificates which are redeemed will forthwith be forwarded to the Registrar, cancelled and destroyed and accordingly may not be held, reissued or resold.

### 12. **Purchase and Cancellation of Trust Certificates**

#### 12.1 ***Purchases***

The Trustee, the Government of the Sultanate of Oman, the Ministry of Finance and/or any other public sector instrumentality of the Government of the Sultanate of Oman (as defined in Condition 19(i)) may at any time purchase Trust Certificates at any price in the open market or otherwise at any price. Following any purchase of Trust Certificates pursuant to this Condition 12.1, such Trust Certificates may be held, resold or, at the discretion of the holder thereof, cancelled (subject to such Trust Certificates being deemed not to remain outstanding for certain purposes as provided under the Master Trust Deed and these Conditions if so held, as more particularly set out in Condition 19(i)).

#### 12.2 ***Cancellation***

Should the Government wish to cancel any Trust Certificates purchased pursuant to Condition 12.1, it shall deliver a Cancellation Notice to the Trustee (in accordance with the Sale and Substitution Undertaking) whereupon the Trustee shall, in accordance with the terms of the Sale and Substitution Undertaking, be obliged to transfer all of the Trustee’s rights, title and interests in, to and under the Cancelled Lease Asset(s) to the Government. The Government and the Trustee shall enter into a Sale Agreement in the form scheduled to, and pursuant to, the Sale and Substitution Undertaking.

### 13. **Taxation**

All payments in respect of the Trust Certificates shall be made in the Specified Currency without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as will result in receipt by the Certificateholders of such amounts as would have been received by them, had no such withholding or deduction been required, except that no such additional amount shall be payable in respect of any Trust Certificate:

- (a) held by or on behalf of a holder who is liable for such Taxes in respect of such Trust Certificate by reason of having some connection with the Relevant Jurisdiction other than the mere holding of the Trust Certificate; or



- (b) where the Definitive Trust Certificate representing it is required to be surrendered for payment and is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Certificateholder would have been entitled to such additional amount if it surrendered the relevant Definitive Trust Certificate for payment on the last day of such period of 30 days.

#### 14. **Prescription**

The rights to receive distributions in respect of the Trust Certificates will be forfeited unless claimed within periods of 10 years (in the case of Dissolution Amounts) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

#### 15. **Dissolution Events**

If any of the following events occurs and is continuing (each, a “**Dissolution Event**”):

- (a) default is made in the payment of the Dissolution Amount on the date fixed for payment thereof, or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof, and the default continues for a period of at least seven days in the case of the relevant Dissolution Amount or for a period of at least 14 days in the case of any Periodic Distribution Amount; or
- (b) the Trustee fails duly to perform or observe any one or more of the obligations expressed to be assumed by it in the Transaction Documents to which it is a party and/or these Conditions, which failure is, in the opinion of the Delegate, incapable of remedy or, if in the opinion of the Delegate is capable of remedy, is not remedied within the period of 30 days after written notice of such failure shall have been given by the Delegate to the Trustee requiring the same to be remedied; or
- (c) a Government Event occurs; or
- (d) (i) the Trustee becomes insolvent, bankrupt or is unable to pay its debts as they fall due; (ii) an administrator, liquidator or similar official of the Trustee is appointed (or application for any such appointment is made) with respect to the whole or a substantial part of the undertaking, assets and revenues of the Trustee; (iii) the Trustee takes any action for a general 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 declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (iv) the Trustee ceases or threatens to cease to carry on all or a substantial part of its business (otherwise than for the purposes of or pursuant to an amalgamation, merger, reorganisation or restructuring whilst solvent); or
- (e) an order is made or an effective resolution is passed for the winding up, dissolution or liquidation of the Trustee; or
- (f) the Trustee repudiates or contests the validity of any Trust Certificate or Transaction Document; or
- (g) for any reason whatsoever (including any governmental order, decree or enactment), it shall become unlawful for the Trustee to perform, comply with or observe, or the Trustee is prevented from performing, complying with or observing all or any of its obligations under the Trust Certificates or any such obligation shall be or become unenforceable or invalid or pursuant to any law or regulation in the Sultanate of Oman which change or amendment takes place on or after the date on which agreement is reached to issue the first Tranche of Trust Certificates, or pursuant to any declaration by a court of competent jurisdiction or any ruling of any court in the Sultanate of Oman, in each case whose decision is final and un-appealable, any such obligation is no longer or shall no longer be legal, valid and binding or enforceable against the Trustee; or
- (h) an event occurs that under the laws of Oman has an analogous effect to any of the events referred to in paragraphs (a) to (g) above,

then the (i) Delegate shall, as soon as reasonably practicable, give notice of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 18 with a request to such holders to indicate whether they wish the Trust Certificates to become immediately due and payable; and (ii) if so requested in writing by Certificateholders representing not less than 25% in aggregate face amount of the Trust Certificates for the time being outstanding (subject to being indemnified and/or secured and/or prefunded to its satisfaction), or if the Delegate so decides in its discretion, the Delegate shall give notice to the Trustee, the Government and the

Certificateholders in accordance with Condition 18 that the Trust Certificates are to be redeemed on the date specified in such notice (the “**Dissolution Event Redemption Date**” and the “**Dissolution Notice**”) at the Dissolution Event Amount specified in, or determined in the manner specified in, the applicable Final Terms, together with all unpaid Periodic Distribution Amounts (if any) accrued to (but excluding) the Dissolution Event Redemption Date.

For the purposes thereof, upon receipt of such Dissolution Notice, the Trustee (or the Delegate (on behalf of the Trustee)) shall deliver a duly completed Exercise Notice to the Government, subject to and in accordance with the Purchase Undertaking. A Dissolution Notice may be given pursuant to sub-paragraph (ii) above, whether or not notice has been given to the Certificateholders as provided in sub-paragraph (i) above.

For the purpose of sub-paragraph (a) above, amounts shall be considered due in respect of the Trust Certificates (including for the avoidance of doubt any amounts calculated as being payable under Conditions 7, 8 and 11) notwithstanding that the Trustee has at the relevant time insufficient funds to pay such amounts.

16. **Enforcement and Exercise of Rights**

16.1 *Limitation on Liability of the Trustee*

Following the enforcement, realisation and ultimate distribution of the proceeds of the Trust Assets in respect of the Trust Certificates to the Certificateholders in accordance with these Conditions and the Trust Deed, the Trustee shall not be liable for any further sums, and accordingly, no Certificateholder may take any action against the Trustee or any other Person to recover any such sum in respect of the Trust Certificates or Trust Assets.

16.2 *Delegate not obliged to take action*

The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action, step or proceedings against the Government and/or the Trustee under any Transaction Document unless directed or requested to do so in writing by the holders of at least 25% in aggregate face amount of the Trust Certificates then outstanding and subject, in each case, to it being indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

16.3 *Direct enforcement by Certificateholders*

No Certificateholder shall be entitled to proceed directly against the Trustee or the Government, under any Transaction Document, unless the Delegate, having become so bound to proceed, fails to do so within a reasonable time of becoming so bound and such failure is continuing. Under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents and/or these Conditions), and the sole right of the Trustee, the Delegate and the Certificateholders against the Trustee and the Government, as applicable, shall be to enforce their respective obligations under the Transaction Documents.

16.4 *Limited recourse*

Conditions 16.1, 16.2 and 16.3 are subject to this Condition 16.4. After enforcing or realising the Trust Assets in respect of the Trust Certificates of the relevant Series and distributing the net proceeds thereof in accordance with Condition 5.2 and the Trust Deed, the obligations of the Trustee in respect of the Trust Certificates of the relevant Series shall be satisfied and no Certificateholder may take any further steps against the Trustee or the Delegate or any other Person to recover any further sums in respect of the Trust Certificates of the relevant Series and the right to receive any such sums unpaid shall be extinguished.

17. *Replacement of Definitive Trust Certificates*

Should any Definitive Trust Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee may reasonably require (in light of prevailing market practice). Mutilated or defaced Definitive Trust Certificates must be surrendered and cancelled before replacements will be issued.

## 18. Notices

All notices required to be given to the Certificateholders pursuant to these Conditions will be valid if mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register.

The Trustee shall also ensure that notices required to be given are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Trust Certificates are for the time being listed or on which they have been admitted to trading and/or quotation (as applicable). In addition, for so long as any Trust Certificates are listed on a stock exchange or are admitted to trading by another relevant authority and/or admitted to quotation (as applicable) and the rules of that stock exchange, relevant authority or quotation system (as applicable) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

So long as the Trust Certificates are listed on the Official List of the Financial Conduct Authority and/or admitted to trading on the London Stock Exchange and the rules of the exchange so require, notices required to be given to Certificateholders shall also be published either on the website of the London Stock Exchange or in a daily newspaper with general circulation in London (which is expected to be the *Financial Times*). If any such publication is not practicable, such notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe.

Any notice required to be given shall be deemed to have been given on the fourth day (other than a Friday, Saturday or Sunday) after being mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication. So long as the Global Trust Certificate representing the Trust Certificates is held in its entirety on behalf of Euroclear, Clearstream, Luxembourg and/or DTC (as applicable), there may be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or DTC (as applicable) for communication by them to the Certificateholders. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or DTC (as applicable).

Notices required to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst any of the Trust Certificates are represented by the Global Trust Certificate, such notice may be given by any holder of a Trust Certificate to the Principal Paying Agent through Euroclear, Clearstream, Luxembourg and/or DTC (as applicable), in such manner as the Principal Paying Agent and Euroclear, Clearstream, Luxembourg and/or DTC (as applicable) may approve for this purpose.

## 19. Meetings of Certificateholders; Written Resolutions

### (a) *Convening Meetings of Certificateholders; Conduct of Meetings of Certificateholders; Written Resolutions:*

- (i) The Trustee, the Government and/or the Delegate may convene a meeting of the Certificateholders at any time in respect of the Trust Certificates in accordance with the provisions of the Master Trust Deed and the Agency Agreement. The Trustee, the Government or the Delegate, as the case may be, will determine the time and place of the meeting and will notify the Certificateholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.
- (ii) The Trustee, the Government and/or the Delegate (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) will convene a meeting of Certificateholders if the holders of at least 10% in principal amount of the outstanding (as defined in the Master Trust Deed and described in Condition 19(i)) Trust Certificates have delivered a written request to the Trustee, the Government or the Delegate (with a copy to the Trustee and the Government) setting out the purpose of the meeting. The Delegate shall agree the time and place of the meeting with the Trustee and the Government promptly. The Trustee, the Government or the Delegate, as the case may be, will notify the Certificateholders, within 10 days of receipt of such written request, of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
- (iii) The Trustee or the Government (as the case may be) (with the agreement of the Delegate) will set the procedures governing the conduct of any meeting in accordance with the Master Trust Deed and the Agency Agreement. If neither the Master Trust Deed nor the Agency Agreement

includes such procedures, or additional procedures are required, the Trustee, the Government and the Delegate will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Trustee or the Government (as the case may be) proposes any modification to the terms and conditions of, or action with respect to, two or more series of securities issued by it.

- (iv) The notice convening any meeting will specify, inter alia:
  - (A) the date, time and location of the meeting;
  - (B) the agenda and the text of any Extraordinary Resolution (as defined below) to be proposed for adoption at the meeting;
  - (C) the Record Date for the meeting, which shall be no more than five business days before the date of the meeting;
  - (D) the documentation required to be produced by a Certificateholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Certificateholder's behalf at the meeting;
  - (E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Trust Certificates are traded and/or held by Certificateholders;
  - (F) whether any of Condition 19(b), Condition 19(c), or Condition 19(d) shall apply and, if relevant, in relation to which other series of securities it applies;
  - (G) if the proposed modification or action relates to two or more series of securities issued by it and contemplates such series of securities being aggregated in more than one group of securities, a description of the proposed treatment of each such group of securities;
  - (H) such information that is required to be provided by the Trustee in accordance with Condition 19(f);
  - (I) the identity of the Aggregation Agent (appointed in accordance with Condition 20(a) and as defined therein) and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 19(g); and
  - (J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of securities.
- (v) In addition, the Master Trust Deed contains provisions relating to Written Resolutions (as defined below) and also provides that, where the Trust Certificates are held by or on behalf of a clearing system or clearing systems, approval of a resolution may be given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with the operating rules and procedures of the relevant clearing system(s) by or on behalf of the Certificateholders ("**Electronic Consent**"). All information to be provided pursuant to Condition 19(a)(iv) shall also be provided, mutatis mutandis, in respect of Written Resolutions or resolutions approved by Electronic Consent.
- (vi) A "**Record Date**" in relation to any proposed modification or action means the date fixed by the Trustee or the Government (as the case may be) for determining the Certificateholders and, in the case of a multiple series aggregation, the holders of securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution as set out below.

- (vii) An “**Extraordinary Resolution**” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
  - (viii) A “**Written Resolution**” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
  - (ix) Any reference to “**securities**” means any trust certificates (including, without limitation, the Trust Certificates), bonds, debentures or other securities (which for these purposes shall be deemed to include any sukuk or other trust certificates representing the credit of the Trustee) issued by the Trustee or the Government in one or more series with an original stated maturity of more than one year.
  - (x) “**Securities Capable of Aggregation**” means those securities which include or incorporate by reference this Condition 19 and Condition 20 or provisions substantially in these terms which provide for the securities which include such provisions to be capable of being aggregated for voting purposes with other series of securities.
  - (xi) “**business day**” shall mean a day on which banks are open for business in the city in which the specified office of the Registrar is located.
- (b) ***Modification of this Series of Trust Certificates only:***
- (i) Without prejudice to clause 11 of the Master Trust Deed, any modification of any provision of, or any action in respect of, these Conditions or the Transaction Documents in respect of the Trust Certificates may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
  - (ii) A “**Single Series Extraordinary Resolution**” means a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the procedures prescribed by the Trustee or the Government (as the case may be) and the Delegate pursuant to Condition 19(a) by a majority of:
    - (A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Trust Certificates; or
    - (B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Trust Certificates.
  - (iii) A “**Single Series Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
    - (A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Trust Certificates; or
    - (B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Trust Certificates.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Certificateholders.
  - (iv) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Certificateholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.
- (c) ***Multiple Series Aggregation—Single limb voting:***
- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Securities Capable of

Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, **provided that** the Uniformly Applicable condition (as defined below) is satisfied.

- (ii) A “**Multiple Series Single Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Trustee or the Government (as the case may be) and the Delegate pursuant to Condition 19(a), as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the outstanding securities of all affected series of Securities Capable of Aggregation (taken in aggregate).
- (iii) A “**Multiple Series Single Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Securities Capable of Aggregation, in accordance with the applicable securities documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the outstanding securities of all affected series of Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Certificateholders or one or more holders of each affected series of Securities Capable of Aggregation.
- (iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Certificateholders and holders of each other affected series of Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
- (v) The “**Uniformly Applicable**” condition will be satisfied if:
  - (A) the holders of all affected series of Securities Capable of Aggregation are invited to exchange, convert, or substitute their securities, on the same terms, for (1) the same new instrument or other consideration or (2) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
  - (B) the amendments proposed to the terms and conditions of each affected series of Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).
- (vi) It is understood that a proposal under Condition 19(c)(iii) will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Securities Capable of Aggregation is not offered the same amount of consideration per Dissolution Amount, the same amount of consideration per Periodic Distribution Amount accrued but unpaid and the same amount of consideration per past due Periodic Distribution Amount, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Securities Capable of Aggregation is not offered the same amount of consideration per Dissolution Amount, the same amount of consideration per amount of Periodic Distribution Amount accrued but unpaid and the same amount of consideration per amount of past due Periodic Distribution Amount, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Securities Capable of Aggregation electing the same option from such menu of instruments).
- (vii) Any modification or action proposed under Condition 19(c) may be made in respect of some series only of the Securities Capable of Aggregation and, for the avoidance of doubt, the

provisions described in this Condition 19(c) may be used for different groups of two or more series of Securities Capable of Aggregation simultaneously.

(d) ***Multiple Series Aggregation—Two limb voting:***

- (i) In relation to a proposal that includes a Reserved Matter (as defined below), any modification to the terms and conditions of, or any action with respect to, two or more series of Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (ii) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Trustee or the Government (as the case may be) and the Delegate pursuant to Condition 19(a), as supplemented if necessary, which is passed by a majority of:
  - (A) at least 66% of the aggregate principal amount of the outstanding securities of affected series of Securities Capable of Aggregation (taken in aggregate); and
  - (B) more than 50% of the aggregate principal amount of the outstanding securities in each affected series of Securities Capable of Aggregation (taken individually).
- (iii) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Securities Capable of Aggregation, in accordance with the applicable securities documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
  - (A) at least 66%% of the aggregate principal amount of the outstanding securities of all the affected series of Securities Capable of Aggregation (taken in aggregate); and
  - (B) more than 50% of the aggregate principal amount of the outstanding securities in each affected series of Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Certificateholders or one or more holders of each affected series of Securities Capable of Aggregation.
- (iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Certificateholders and holders of each other affected series of Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (v) Any modification or action proposed under this Condition 19(d) may be made in respect of some series only of the Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 19(d) may be used for different groups of two or more series of Securities Capable of Aggregation simultaneously.

(e) ***Reserved Matters:***

In these Conditions, “**Reserved Matter**” means any proposal:

- (i) to change the Scheduled Dissolution Date or any other date, or the method of determining the Scheduled Dissolution Date or any other date, for payment of the Dissolution Amount, the Periodic Distribution Amount or any other amount in respect of the Trust Certificates, to reduce or cancel the amount of the Dissolution Amount, the Periodic Distribution Amount or any other amount payable on any date in respect of the Trust Certificates or to change the method of calculating the amount of the Dissolution Amount, the Periodic Distribution

Amount (other than in the case of a discontinuation of LIBOR where LIBOR has been selected as the relevant Reference Rate) or any other amount payable in respect of the Trust Certificates on any date (in each case, excluding any, or any proposal to effect any, Benchmark Amendments);

- (ii) to change the currency in which any amount due in respect of the Trust Certificates is payable or the place in which any payment is to be made;
- (iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Certificateholders or the number or percentage of votes required to be cast, or the number or percentage of Trust Certificates required to be held, in connection with the taking of any decision or action by or on behalf of the Certificateholders or any of them;
- (iv) to change this definition, or the definition of “Extraordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;
- (v) to change the definition of “securities” or “Securities Capable of Aggregation”;
- (vi) to change the definition of “**Uniformly Applicable**”;
- (vii) to change the definition of “**outstanding**” or to modify the provisions of Condition 19(i);
- (viii) to change (A) the legal ranking of the Trust Certificates or (B) to approve such other arrangement by way of Extraordinary Resolution of the Certificateholders as referred to in Condition 4.2;
- (ix) to change any provision of the Trust Certificates describing circumstances in which Trust Certificates may be declared due and payable prior to their scheduled maturity date, set out in Condition 15;
- (x) to change the law governing the Trust Certificates, any of the arrangements specified in the Trust Certificates to enable proceedings to be taken or the Trustee’s waiver of immunity, in respect of actions or proceedings brought by any Certificateholder, set out in Condition 27;
- (xi) to impose any condition on or otherwise change the Trustee’s obligation to make payments of the Dissolution Amount, the Periodic Distribution Amount or any other amount in respect of the Trust Certificates;
- (xii) to modify the provisions of this Condition 19(e);
- (xiii) to change any of the Government’s covenants set out in the Lease Agreement or any of its covenants or undertakings to make a payment under any Transaction Document to which it is a party; or
- (xiv) to exchange or substitute all the Trust Certificates for, or convert all the Trust Certificates into, other obligations or securities of the Trustee or the Government (as the case may be) or any other Person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Trust Certificates for, or the conversion of the Trust Certificates into, any other obligations or securities of the Trustee or the Government (as the case may be) or any other Person, which would result in these Conditions as so modified being less favourable to the Certificateholders which are subject to these Conditions as so modified than:
  - (A) the provisions of the other obligations or securities of the Trustee or the Government (as the case may be) or any other Person resulting from the relevant exchange or substitution or conversion; or
  - (B) if more than one series of other obligations or securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of securities having the largest aggregate principal amount.



(f) **Information:**

Prior to or on the date that the Trustee or the Government or the Delegate (as the case may be) proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 19(b), 19(c) or 19(d), the Trustee or the Government (as the case may be) shall publish in accordance with Conditions 18 and 20, and provide the Delegate with the following information:

- (i) a description of the Trustee's and the Government's economic and financial circumstances which are, in the Trustee's or the Government's, as applicable, opinion, relevant to the request for any potential modification or action, a description of the Trustee's and the Government's existing debts and a description of the Government's broad policy reform programme and provisional macroeconomic outlook;
- (ii) if the Trustee or the Government shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement. Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;
- (iii) a description of the Trustee's and/or the Government's proposed treatment of external securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other securities and its other major creditor groups; and
- (iv) if any proposed modification or action contemplates securities being aggregated in more than one group of securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Certificateholders in accordance with Condition 19(a)(iv)(G).

(g) **Claims Valuation:**

For the purpose of calculating the par value of the Trust Certificates and any affected series of securities which are to be aggregated with the Trust Certificates in accordance with Conditions 19(c) and 19(d), the Trustee or the Government (as the case may be) may appoint a Calculation Agent. The Trustee or the Government (as the case may be) shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Trust Certificates and such affected series of securities. In any such case where a Calculation Agent is appointed, the same Person will be appointed as the Calculation Agent for the Trust Certificates and each other affected series of securities for these purposes, and the same methodology will be promulgated for each affected series of securities.

(h) **Manifest error, etc.:**

The Trust Certificates, these Conditions and the provisions of the Trust Deed or any other Transaction Document can only be amended by the Government and the Trustee with the consent of the Delegate and the Delegate may agree, without the consent of Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, the Trust Certificates, these Conditions, the Trust Deed or any other Transaction Document or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or Potential Dissolution Event shall not be treated as such if, in the opinion of the Delegate:

- (i) such modification is of a formal, minor or technical nature; or
- (ii) such modification is made to correct a manifest error or to effect any Benchmark Amendments (in the circumstances and as set out in Condition 8.9); or
- (iii) such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and is other than in respect of a Reserved Matter,

**provided that**, in the case of (iii) above, no such modification, waiver, authorisation or determination may be made in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20% of the outstanding aggregate face amount of Trust Certificates.

Any such modification, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may determine, shall be binding upon the Certificateholders and shall as soon as practicable thereafter be notified by the Trustee to Certificateholders in accordance with Condition 18.

(i) ***Trust Certificates controlled by the Trustee or the Government:***

For the purposes of (a) determining the right to attend and vote at any meeting of Certificateholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) this Condition 19 and (c) Condition 15, any Trust Certificates which are for the time being held by or on behalf of the Trustee, the Government of the Sultanate of Oman, the Ministry of Finance, any other public sector instrumentality of the Government of the Sultanate of Oman or by or on behalf of any Person which is owned or controlled directly or indirectly by the Trustee, the Government of the Sultanate of Oman, the Ministry of Finance or by any other public sector instrumentality of the Government of the Sultanate of Oman shall be disregarded and be deemed not to remain outstanding; where:

- (i) “**public sector instrumentality**” means the Ministry of Finance, any Agency, any other department or ministry of the Government of the Sultanate of Oman or any corporation, trust, financial institution or other entity owned or controlled by the Government of the Sultanate of Oman or any of the foregoing; and
- (ii) “**control**” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other Persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Trust Certificate will also be deemed to be not outstanding if, in accordance with these Conditions, the Trust Certificate has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Trust Certificate has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Trustee or the Government (as the case may be) has previously satisfied its obligations to make all payments due in respect of the Trust Certificates in accordance with its terms.

In advance of any meeting of Certificateholders, or in connection with any Written Resolution, the Trustee or the Government (as the case may be) shall provide to the Delegate a copy of the certificate prepared pursuant to Condition 20(d) which includes information on the total number of Trust Certificates which are for the time being held by or on behalf of the Trustee, the Government, the Ministry of Finance or any other public sector instrumentality of the Government (as the case may be) or by or on behalf of any Person which is owned or controlled directly or indirectly by the Trustee, the Government of the Sultanate of Oman, the Ministry of Finance or by any other public sector instrumentality of the Government (as the case may be) and, as such, such Trust Certificates shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Certificateholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Delegate shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) ***Publication:***

The Trustee or the Government (as the case may be) shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 20(g).

(k) ***Exchange and Conversion:***

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, these Conditions may be implemented at the Trustee’s or the Government’s (as the case may be) option by way of a mandatory exchange or conversion of the Trust Certificates and each other affected series of securities, as the case may be, into new *Sharia* compliant securities containing the modified terms and conditions if the proposed mandatory exchange or

conversion of the Trust Certificates is notified to Certificateholders at the time notification is given to the Certificateholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Certificateholders.

20. **Aggregation Agent; Aggregation Procedures**

(a) ***Appointment:***

The Trustee or the Government (as the case may be) will appoint an aggregation agent (in such capacity, the “**Aggregation Agent**”) to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Trust Certificates and, in the case of a multiple series aggregation, by the required principal amount of outstanding securities of each affected series of securities. In the case of a multiple series aggregation, the same Person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Transaction Documents in respect of the Trust Certificates and in respect of the terms and conditions or securities documentation in respect of each other affected series of securities. The Aggregation Agent shall be independent of the Trustee and the Government.

(b) ***Extraordinary Resolutions:***

If an Extraordinary Resolution has been proposed at a duly convened meeting of Certificateholders to modify any provision of, or action in respect of, these Conditions and other affected series of securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Trust Certificates and, where relevant, each other affected series of securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) ***Written Resolutions:***

If a Written Resolution has been proposed under these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Trust Certificates and, where relevant, each other affected series of securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) ***Certificate:***

For the purposes of Conditions 20(b) and 20(c), the Trustee and the Government will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Conditions 19(b), 19(c) or 19(d), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution. The certificate shall:

- (i) list the total principal amount of Trust Certificates and, in the case of a multiple series aggregation, the total principal amount of each other affected series of securities outstanding on the Record Date; and
- (ii) clearly indicate the Trust Certificates and, in the case of a multiple series aggregation, securities of each other affected series of securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 19(i) on the Record Date identifying the holders of the Trust Certificates and, in the case of a multiple series aggregation, securities of each other affected series of securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(e) **Notification:**

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 20 to be notified to the Delegate, the Trustee and the Government as soon as practicable after such determination. Notice thereof shall also promptly be given to the Certificateholders by the Trustee or the Government in accordance with Condition 18.

(f) **Binding nature of determinations; no Liability:**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 20 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Trustee, the Government, the Delegate and the Certificateholders and (subject as aforesaid) no Liability to any such Person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) **Manner of publication:**

The Trustee and the Government will publish all notices and other matters required to be published pursuant to the Trust Deed including any matters required to be published pursuant to Condition 15, Condition 19 and this Condition 20:

- (i) through Euroclear, Clearstream, DTC and/or any other clearing system in which the Trust Certificates are held (as applicable);
- (ii) in such other places and in such other manner as may be required by applicable law or regulation; and
- (iii) in such other places and in such other manner as may be customary.

21. **Certificateholders' Committee**

(a) **Appointment:**

- (i) Holders of at least 25% of the aggregate principal amount of the outstanding securities of all series of affected securities (taken in aggregate) may, by notice in writing to the Trustee and the Government (with a copy to the Delegate), appoint any person or persons as a committee to represent the interests of such holders (as well as the interests of any holders of outstanding securities who wish to be represented by such a committee) if any of the following events has occurred:
  - (A) a Dissolution Event or a Potential Dissolution Event;
  - (B) any public announcement by the Trustee or the Government (as the case may be), to the effect that the Trustee or the Government (as the case may be) is seeking or intends to seek a rescheduling or restructuring of the Trust Certificates or any other affected series of securities (whether by amendment, exchange offer or otherwise); or
  - (C) with the agreement of the Government, the Government has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Trust Certificates or any other affected series of securities are outstanding.
- (ii) Upon receipt of a written notice that a committee has been appointed in accordance with Condition 21(a)(i) and a certificate delivered pursuant to Condition 21(d), the Government or the Trustee shall give notice of the appointment of such a committee to:
  - (A) the Delegate and all Certificateholders in accordance with Condition 18; and
  - (B) the holders of each affected series of securities in accordance with the terms and conditions of such affected series of securities,

as soon as practicable after such written notice and such certificate are delivered.

(b) ***Powers:***

Such committee in its discretion may, among other things:

- (i) engage legal advisers and financial advisers to assist it in representing the interests of the holders of outstanding securities of all series of affected securities (including the Certificateholders);
- (ii) adopt such rules as it considers appropriate regarding its proceedings;
- (iii) enter into discussions with the Trustee and/or the Government and/or other creditors of the Trustee and/or the Government; and
- (iv) designate one or more members of the committee to act as the main point(s) of contact with the Trustee and/or the Government and provide all relevant contact details to the Trustee and/or the Government.

Except to the extent provided in this Condition 21(b), such committee shall not have the ability to exercise any powers or discretions which the holders of outstanding securities of all series of affected securities (including the Certificateholders) could themselves exercise.

(c) ***Engagement with the committee and provision of information:***

- (i) Each of the Trustee and the Government shall:
  - (A) subject to paragraph (B) immediately below, engage with the committee in good faith;
  - (B) provide the committee with information equivalent to that required under Condition 19(f) and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations; and
  - (C) pay any reasonable fees and expenses of any such committee (including without limitation, the reasonable and documented fees and expenses of the committee's legal and financial advisers, if any) following receipt of reasonably detailed invoices and supporting documentation.
- (ii) If more than one committee has been appointed by holders of affected series of securities in accordance with the provisions of this Condition 21 and/or equivalent provisions set out in the terms and conditions of any affected series of securities, neither the Trustee nor the Government shall be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon the Trustee and the Government shall engage with such steering group.

(d) ***Certification:***

Upon the appointment of a committee, the person or persons constituting such a committee (the "**Members**") will provide a certificate to the Trustee, the Government and to the Delegate signed by the authorised representatives of the Members, and the Trustee, the Government and the Delegate may rely upon the terms of such certificate conclusively and without any Liability therefor.

The certificate shall certify:

- (i) that the committee has been appointed;
- (ii) the identity of the Members; and
- (iii) that such appointment complies with the terms and conditions of the relevant securities documentation.

Promptly after any change in the identity of the Members, a new certificate which each of the Trustee, the Government and the Delegate may rely on conclusively (and without any Liability therefor), will be delivered to the Trustee, the Government and the Delegate identifying the new Members. Each of the Trustee, the Government and the Delegate will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this Condition 21(d) shall apply, mutatis mutandis, to any steering group appointed in accordance with Condition 21(c)(ii).

In appointing a person or persons as a committee to represent the interests of the Certificateholders, the Certificateholders may instruct a representative or representatives of the committee to form a separate committee or to join a steering group with any person or persons appointed for similar purposes by other affected series of securities.

**22. Indemnification and Liability of the Delegate**

22.1 The Trust Deed contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

22.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Government (acting in any capacity) under any

Transaction Document and shall not under any circumstances have any Liability or be obliged to account to the Certificateholders in respect of any payment which should have been made by the Government (acting in any capacity), but is not so made, and shall not in any circumstances have any Liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.

22.3 Each of the Delegate and the Trustee is exempted from (a) any Liability in respect of any loss or theft of the Trust Assets, (b) any obligation to insure the Trust Assets and (c) any claim arising from the fact that the Trust Assets are held by or on behalf of the Trustee or on deposit or in an account with any depository or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of wilful default, bad faith or manifest or proven error of the Delegate or the Trustee, as the case may be.

**23. Currency Indemnity**

The Specified Currency is the sole currency of account and payment for all sums payable by the Trustee under or in connection with the Trust Certificates, including damages. Any amount received or recovered in a currency other than the Specified Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Certificateholder in respect of any sum expressed to be due to it from the Trustee shall only constitute a discharge to the Trustee to the extent of the Specified Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Specified Currency amount is less than the Specified Currency amount expressed to be due to the recipient under any Trust Certificate, the Trustee shall indemnify it against any loss sustained by it as a result. In any event, the Trustee shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 22, it will be sufficient for the Certificateholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Trustee's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Certificateholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Trust Certificate or any other judgment or order.

**24. Further Issues**

In respect of any Series, the Trustee shall, subject to and in accordance with the Trust Deed, be at liberty from time to time without the consent of the Certificateholders to create and issue additional Trust Certificates having the same terms and conditions as the outstanding Trust Certificates of such Series (or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue), and so that the same shall be consolidated and form a single Series with the outstanding Trust Certificates of such Series. Any additional Trust Certificates which are to form a single Series with the outstanding Trust Certificates previously constituted by

the Trust Deed shall be constituted by a deed supplemental to the Trust Deed. References in these Conditions to the Trust Certificates include (unless the context requires otherwise) any other trust certificates issued pursuant to this Condition and forming a single series with the outstanding Trust Certificates.

25. **Contracts (Rights of Third Parties) Act 1999**

No Person shall have any right to enforce any term or condition of the Trust Certificates under the Contracts (Rights of Third Parties) Act 1999.

26. **Governing Law and Submission to Arbitration**

26.1 The Trust Deed and the Trust Certificates (including the remaining provisions of this Condition 26 and any non-contractual obligations arising out of or in connection with the Trust Deed and the Trust Certificates) are governed by, and shall be construed in accordance with, English law.

26.2 Any dispute, claim, difference or controversy arising out, relating to or having any connection with the Trust Deed and/or the Trust Certificates (including any dispute, claim, difference or controversy regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity or any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed and/or the Trust Certificates) (a “**Dispute**”) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the “**Rules**”), which Rules (as amended from time to time) are incorporated by reference into this Condition 26.2. For these purposes:

- (a) the seat of arbitration shall be London;
- (b) there shall be three arbitrators, each of whom shall be an attorney experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court (as defined in the Rules); and
- (c) the language of the arbitration shall be English.

27. **Waiver of Immunity**

27.1 Each of the Government, with respect to its entry into the Transaction Documents and its obligations thereunder, and the Trustee, with respect to the Trust Certificates, irrevocably and unconditionally agrees to waive all immunity (including, without limitation, immunity from jurisdiction, suit, execution, attachment (whether in aid of execution before judgment or otherwise) or other legal process (whether through service of notice or otherwise)) it or its assets or revenues may otherwise have in any jurisdiction, including irrevocably and unconditionally waiving immunity and/or the claim of immunity in respect of:

- (a) the giving of any relief of any process including, without limitation, by way of injunction or order for specific performance or for the recovery of assets or revenues or damages or otherwise; and
- (b) the issue of any process including, without limitation, the making, enforcement or execution against its property, assets or revenues (irrespective of its use or intended use) for the enforcement of a judgment made or given in respect of any proceedings or, in an action in rem, for the arrest, detention or sale of any property, assets and revenues,

**provided that** nothing in this Condition 27 shall prevent the Government or the Trustee from claiming immunity in respect of (i) pre-judgment attachment or any analogous proceedings or (ii) enforcement proceedings, which in either case seeks to execute against non-commercial (or public) assets of the Government or the Trustee.

27.2 For the purpose of this Condition 27, “**commercial assets**” are those assets of the Government or the Trustee which are not deemed to be public assets of the Government or the Trustee pursuant to Omani law and which include those assets for the time being in use or intended for use for the purpose of, without limitation, the following transactions or activities:

- (a) any contract for the supply of goods and services and deposits or revenues therefrom;

- (b) any loan or other transaction for the provision of finance and any indemnity or guarantee relating thereto or of any other financial obligation entered into by the Government or the Trustee; and
- (c) any other transaction or activity of any commercial nature entered into or engaged in by the Government or the Trustee,

**provided, however,** that assets which can be characterised as: (A) “premises of the mission” as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or “consular premises” as such term is defined in the Vienna Convention on Consular Relations signed in 1963; (B) military or defence assets of the Sultanate of Oman for military or defence use by the Sultanate of Oman; or (C) assets used for public or governmental services (as opposed to commercial use) by the Sultanate of Oman, shall not, in any circumstances, constitute commercial assets.

## 28. **Waiver of Interest**

- 28.1 Each of the Trustee, the Government and the Delegate has in the Trust Deed irrevocably agreed that no interest will be payable or receivable under or in connection therewith and each party agrees that it will not claim any interest in respect of any proceedings brought by or on behalf of a party under the Trust Deed or these Conditions.
- 28.2 If it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any arbitral award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.

For the avoidance of doubt, nothing in this Condition 28 shall be construed as a waiver of rights in respect of any Periodic Distribution Amounts, Rentals, Dissolution Amounts, Exercise Price, Certificateholder Put Right Exercise Price or profit or principal or other amount payable of any kind howsoever described payable by the Government (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by way of arbitral tribunal.

## 29. **Agent for Service of Process**

Each of the Government and the Trustee has irrevocably appointed the Omani Embassy in London at 167, Queen’s Gate, London SW7 5HE, as its authorised agent for service of process in relation to any Dispute in England. If for any reason such agent shall cease to be such agent for service of process, the Government and/or the Trustee (as applicable) shall forthwith appoint a new agent for service of process in England and notify the Delegate and the Certificateholders of such appointment (in accordance with Condition 18) within 30 days. Nothing herein shall affect the right to serve process in any other manner permitted by law.



## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions). Words and expressions defined in the Conditions shall have the meanings in this summary.*

### **The Master Trust Deed, as supplemented by each Supplemental Trust Deed**

The Master Trust Deed was entered into on 7 June 2021 between the Trustee, the Government and the Delegate and is governed by English law. Pursuant to the Master Trust Deed, a Supplemental Trust Deed between the same parties will be entered into on the Issue Date of each Tranche of Trust Certificates and will also be governed by English law.

Upon issue of the relevant Trust Certificates of any Series, the Master Trust Deed and the relevant Supplemental Trust Deed shall together constitute the trust over the relevant Trust Assets declared by the Trustee in relation to such Tranche.

The Trust Assets in respect of each Tranche of Trust Certificates comprise, *inter alia*, the Trustee's rights, title and interest, present and future in, to and under the Relevant Lease Asset(s), its rights, title, interest and benefit, present and future, in, to and under the Transaction Documents and all monies standing to the credit of the relevant Transaction Account from time to time.

Pursuant to the Trust Deed, the Trustee will agree to act for and on behalf of the Certificateholders and, *inter alia*, in relation to each Tranche of Trust Certificates:

- (a) hold the relevant Trust Assets on trust absolutely for the Certificateholders as beneficial tenants in common *pro rata* according to the face amount of Trust Certificates held by each Certificateholder; and
- (b) act as trustee in respect of such Trust Assets, distribute the income from such Trust Assets and perform its duties in accordance with the provisions of the Trust Deed.

Each Trust Deed will specify, *inter alia*, that in relation to each Tranche:

- (a) there shall be no claim or recourse against the Trustee in respect of any amount which is or remains unsatisfied, to the extent the Trust Assets have been exhausted, following which any unsatisfied claims against the Trustee will be extinguished;
- (b) the Trustee may from time to time (but always subject to the provisions of the Master Trust Deed), without the consent of the Certificateholders, create and issue additional Trust Certificates having the same terms and conditions as the outstanding Trust Certificates of such Series (or terms and conditions that are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue), and so that the same shall be consolidated and form a single series, with the outstanding Trust Certificates of such Series, and that any additional Trust Certificates which are to be created and issued so as to form a single series with the outstanding Trust Certificates of a particular Series previously constituted by the Trustee shall be constituted by a trust deed supplemental to the Master Trust Deed; and
- (c) on the date upon which any Supplemental Purchase Agreement is entered into in connection with the creation and issuance of additional Trust Certificates pursuant to the provisions described in sub-paragraph (c) above and the Master Purchase Agreement (being the relevant Issue Date for that Tranche of additional Trust Certificates), the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates so created and issued, declaring that the relevant Additional Asset(s) and the Lease Asset(s) in respect of the relevant Series as in existence immediately prior to the creation and issue of the additional Trust Certificates are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates as tenants in common *pro rata* according to the face amount of Trust Certificates held by each Certificateholder, in accordance with the Trust Deed.

In the Trust Deed, the Trustee will irrevocably and unconditionally appoint the Delegate to *inter alia* exercise all of the present and future powers, trusts, rights, authorities and discretions (including but not limited to the authority to request instructions from any Certificateholders and the power to sub-delegate and to make any determinations to be made under the Trust Deed) vested in the Trustee by the relevant provisions of the Trust Deed. The appointment of the Delegate by the Trustee is intended to be in the interests of the Certificateholders and, subject as provided in the Trust Deed, does not affect the Trustee's continuing role and obligations as trustee.

In each Trust Deed the Delegate will undertake that, inter alia, if it has actual knowledge or express notice pursuant to the Trust Deed of the occurrence of a Dissolution Event in respect of any Trust Certificates and subject to Condition 15, (i) it shall, as soon as reasonably practicable notify the Certificateholders of the occurrence of such Dissolution Event in accordance with Condition 18, and (ii) if so requested in writing by Certificateholders representing not less than 25% in aggregate face amount of the Trust Certificates for the time being outstanding (subject to being indemnified and/or secured and/or prefunded to its satisfaction), or if the Delegate decides in its discretion, it shall give notice to the Trustee, the Government and the Certificateholders in accordance with Condition 18 that the Trust Certificates are to be redeemed on the Dissolution Event Redemption Date specified in such notice at the Dissolution Event Amount, together with all unpaid Periodic Distribution Amounts (if any) accrued to (but excluding) the Dissolution Event Redemption Date.

A *Sharia*-compliant (or otherwise non-interest bearing) Transaction Account will be established in respect of each Series of Trust Certificates. Monies received in the Transaction Account in respect of each Series will, *inter alia*, comprise (i) payments from the Government (in its capacity as lessee) under the Lease Agreement (see “*Summary of the Principal Transaction Documents—Lease Agreement*” below) and (ii) the Exercise Price or Certificateholder Put Right Exercise Price, as applicable, received from the Government (in its capacity as purchaser) under the relevant Sale Agreement (see “*Summary of the Principal Transaction Documents—Purchase Undertaking*” and “*Summary of the Principal Transaction Documents—Sale and Substitution Undertaking*” below). The Master Trust Deed provides that all monies credited to the Transaction Account in respect of each Series will be applied in the order of priority set out in Condition 5.2.

In the Master Trust Deed, the Government will undertake that, inter alia, it will immediately upon demand (but without any double counting): (a) make payment to the Trustee or the Delegate (as applicable) (each acting for and on behalf of the Certificateholders) of an amount equal to the Purchase Price (as defined in the relevant Supplemental Purchase Agreement) in respect of any Initial Defective Sale by way of restitution and (b) indemnify fully the Trustee or the Delegate (as applicable) (each acting for and on behalf of the Certificateholders) for the relevant Exercise Price (or Certificateholder Put Right Exercise Price, as the case may be) expressed to be due and payable under the Purchase Undertaking or the Sale and Substitution Undertaking, as applicable, at the relevant time if, as a result of either an Initial Defective Sale or a Subsequent Defective Sale, the Trustee or the Delegate (as applicable) is unable to realise in full, or does not actually receive in full, the relevant Exercise Price (or Certificateholder Put Right Exercise Price, as the case may be) which is expressed to be due and payable under either the Purchase Undertaking or the Sale and Substitution Undertaking, as applicable, at the relevant time.

For this purpose, an “**Initial Defective Sale**” will occur if the sale, purchase, transfer and conveyance of any rights, title, and interest in, to and under any of the relevant Asset(s), Additional Asset(s) or New Lease Asset(s), as applicable (each as defined in the relevant Supplemental Purchase Agreement) from the Government (acting in its capacity as seller) to the Trustee (acting in its capacity as purchaser) under the relevant Purchase Agreement or Sale Agreement, as the case may be, is not valid or effective, or becomes invalid or ineffective, in whole or in part, in any jurisdiction for any reason, and a “**Subsequent Defective Sale**” will occur if the sale, purchase, transfer and conveyance of any of the Trustee’s rights, title and interest, in, to and under, *inter alia*, the Relevant Lease Asset(s) (or proportion thereof, as the case may be) pursuant to the exercise of the Purchase Undertaking or the Sale and Substitution Undertaking, as applicable, is not valid or effective, or becomes invalid or ineffective, in whole or in part, in any jurisdiction for any reason, including without limitation, by reason of any Initial Defective Sale.

## **Purchase Agreement**

The Master Purchase Agreement was entered into on 4 October 2018 between Oman Sovereign Sukuk S.A.O.C. (in its capacity as Trustee and purchaser) and the Government (in its capacity as seller) and will be governed by the laws of the Sultanate of Oman. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of the relevant Tranche of Trust Certificates (including any additional Tranche of Trust Certificates issued pursuant to Condition 24 (an “**Additional Tranche**”)) and will also be governed by the laws of the Sultanate of Oman.

Pursuant to the Purchase Agreement, the Government (in its capacity as seller) may sell, transfer and convey to the Trustee (in its capacity as purchaser), and the Trustee may purchase and accept the transfer and conveyance from the Government of all of the Government’s rights, title and interests in, to and under the relevant Asset(s) (in the case of any Additional Tranche, the “**Additional Asset(s)**”). The Asset(s) or the Additional Asset(s), as applicable, will comprise on the Issue Date of the relevant Tranche those assets described in the Schedule to the Supplemental Purchase Agreement.

Pursuant to the relevant Supplemental Purchase Agreement, the Government (in its capacity as seller) will undertake, to the extent that the sale and purchase, transfer or conveyance of its rights, title and interests in, to and under the/any Asset(s) or Additional Asset(s) (as the case may be) is not (or is alleged not to be) effective in any jurisdiction for any reason and the Exercise Price (or the Certificateholder Put Right Exercise Price, as the case may be) payable pursuant to the Sale and Substitution Undertaking or the Purchase Undertaking, as the case may be, is not paid in full when due, to:

- (a) make payment of an amount equal to the Purchase Price (or relevant part thereof) by way of restitution to the Trustee (in its capacity as purchaser) immediately upon request; and/or
- (b) indemnify fully the Trustee for the purpose of redemption of the outstanding Trust Certificates of the relevant Series (or the Certificateholder Put Right Trust Certificates, as the case may be, and as defined in the Purchase Undertaking) and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price (or the Certificateholder Put Right Exercise Price, as the case may be),

in each case, without duplication or double counting.

### **Lease Agreement**

The Master Lease Agreement was entered into on 4 October 2018 between Oman Sovereign Sukuk S.A.O.C. (in its capacity as Trustee and as lessor), the Government (in its capacity as lessee) and the Delegate and will be governed by the laws of the Sultanate of Oman. A Supplemental Lease Agreement between the same parties will be entered into on the Issue Date of each Tranche of Trust Certificates (and in the circumstances described in the Purchase Undertaking, Sale and Substitution Undertaking and the Servicing Agency Agreement (see “*Summary of the Principal Transaction Documents—Purchase Undertaking*”, “*Summary of the Principal Transaction Documents—Sale and Substitution Undertaking*” and below, “*Summary of the Principal Transaction Documents—Servicing Agency Agreement*”)) and will also be governed by the laws of the Sultanate of Oman. In the case of a purchase of Additional Asset(s), the Additional Asset(s) and the Relevant Lease Asset(s) in existence immediately prior to the Additional Assets Purchase Date (as defined in the relevant Supplemental Purchase Agreement), will, together, be leased to the Government under a replacement Supplemental Lease Agreement.

Pursuant to the Lease Agreement, the Trustee (in its capacity as lessor) may lease to the Government (in its capacity as lessee), and the Government may lease from the Trustee, the Relevant Lease Asset(s) during renewable Rental Periods commencing on the Lease Commencement Date (each such expression having the meaning given to it in the relevant Lease Agreement) and extending to the Scheduled Dissolution Date of the relevant Series of Trust Certificates (unless the relevant Supplemental Lease Agreement is terminated earlier in accordance with its terms or extended until the payment of any Outstanding Exercise Price in accordance with the Purchase Undertaking (and as defined therein)).

The Government (in its capacity as lessee) will agree to use the Relevant Lease Asset(s) at its own risk. Accordingly, the Government shall from the date of the relevant Supplemental Lease Agreement bear the entire risk of loss of or damage to the Relevant Lease Asset(s) or any part thereof arising from the usage or operation thereof by it to the extent that such loss or damage has resulted from the Government’s gross negligence, wilful default, actual fraud, or breach of its obligations under the relevant Supplemental Lease Agreement. In addition, the Trustee (as lessor) shall not be liable (and the Government (as lessee) will waive any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with the Government’s use or operation of the Relevant Lease Asset(s).

Under the Supplemental Lease Agreement, the Government (in its capacity as lessee) will agree to be responsible, at its own cost and expense, for the performance of all Ordinary Maintenance and Repair (as defined in the Master Lease Agreement) required for any Relevant Lease Asset(s). The Trustee (in its capacity as lessor) shall be responsible for (i) the performance of all Major Maintenance and Structural Repair (as defined in the Master Lease Agreement), (ii) the payment of any proprietorship or other relevant Taxes (as defined in the Master Lease Agreement) (excluding all Taxes that are by law imposed, charged or levied against a lessee or a tenant) and (iii) insuring any Relevant Lease Asset(s) in accordance with the terms of the Servicing Agency Agreement, and the Government (as lessee) will acknowledge that the Trustee (as lessor) may procure that the Servicing Agent, in accordance with the terms and conditions set out in the Servicing Agency Agreement, shall perform, or shall procure the performance of, Major Maintenance and Structural Repair, the payment of such Taxes and the insurance of such Relevant Lease Asset(s), on behalf of the Trustee (in its capacity as lessor).

All payments by the Government (as lessee) to the Trustee (as lessor) under a Lease Agreement shall be made free and clear of, and without any deduction or withholding for, any Taxes, unless required by law and without set-off (save as provided below) or counterclaim of any kind and, in the event that there is any such deduction or withholding, the Government (as lessee) will agree under the relevant Supplemental Lease Agreement to pay such additional amounts as will result in the receipt by the Trustee (as lessor) of such amounts as would have been received by it if no such deduction or withholding had been required.

An amount equal to: (i) the Supplementary Rental (if any) (as defined in the relevant Supplemental Lease Agreement) payable by the Government (in its capacity as lessee) as (or as part of any) Rental; and (ii) any Service Charge Amounts

to be paid by the Trustee (in its capacity as lessor) to the Servicing Agent pursuant to the Servicing Agency Agreement, shall be set off against one another.

The payment obligations of the Government (in its capacity as lessee) under any Lease Agreement are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in the Purchase Undertaking) unsecured obligations of the Government (in its capacity as lessee) and rank and (subject to the negative pledge provisions described in the Purchase Undertaking) will rank *pari passu*, without any preference among themselves, with all other Relevant Indebtedness of the Government (as lessee), from time to time outstanding, **provided, further, that** the Government (as lessee) shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Relevant Indebtedness and, in particular, shall have no obligation to pay other Relevant Indebtedness at the same time or as a condition of paying sums due under the relevant Supplemental Lease Agreement and *vice versa*.

The Government (in its capacity as lessee) will agree to indemnify the Trustee (as lessor) for any losses arising out of or in connection with any breach by the Government of its obligations under any Lease Agreement.

**“Relevant Indebtedness”** means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (including *Sharia*-compliant certificates) which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

### **Purchase Undertaking**

The Purchase Undertaking was executed on 4 October 2018 by the Government (in its capacity as obligor) as a deed in favour of the Trustee and the Delegate and will be governed by English law.

The Government (in its capacity as obligor) has irrevocably undertaken in favour of the Trustee and the Delegate to purchase all of the Trustee’s rights, title and interests in, to and under the Relevant Lease Asset(s) (or proportion thereof, as the case may be) for each Series of Trust Certificates on the relevant Scheduled Dissolution Date or, if earlier, on the Dissolution Event Redemption Date or (if a Certificateholder Put Right is specified as applicable in the applicable Final Terms) the Certificateholder Put Right Date of the relevant Series of Trust Certificates. The Exercise Price or Certificateholder Put Right Exercise Price (as the case may be) payable by the Government (as obligor) shall be equal to the aggregate face amount of the Trust Certificates (or Certificateholder Put Right Trust Certificates, as the case may be) then outstanding for relevant Series plus all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Trust Certificates (or Certificateholder Put Right Trust Certificates, as the case may be) plus, without duplication or double counting, if all of the Trust Certificates of the relevant Series are being redeemed in full, an amount representing any amounts payable by Oman Sovereign Sukuk S.A.O.C. (in any capacity) under the Transaction Documents to which it is a party (including but not limited to, if all of the Trust Certificates of the relevant Series are being redeemed in full, an amount equal to any Service Charge Amounts in respect of which an appropriate Supplementary Rental payment has not been made in accordance with, and as defined in, the relevant Supplemental Lease Agreement) **provided that**, in the case of any amounts payable pursuant to Condition 5.2(a), the Government has received a notification from the Delegate of such amounts by not later than the third Business Day prior to the date on which the Exercise Notice is delivered, plus, without duplication or double counting any other amounts payable on redemption of the Trust Certificates (or the Certificateholder Put Right Trust Certificates, as the case may be) as specified in the applicable Final Terms.

The specific terms applicable to each such sale will be confirmed in a Sale Agreement, to be executed by Oman Sovereign Sukuk S.A.O.C. (in its capacity as seller) and the Government (in its capacity as purchaser) on the relevant Scheduled Dissolution Date, the Dissolution Event Redemption Date or the Certificateholder Put Right Date (as the case may be). The form of each such Sale Agreement is scheduled to the Purchase Undertaking. In the case of an exercise of the Certificateholder Put Right only (save where the Trust Certificates of the relevant Series are being redeemed in full), the Government (in its capacity as Lessee) shall also enter into a replacement Supplemental Lease Agreement with the Trustee (in its capacity as lessor) on the terms and subject to the conditions set out in the relevant Exercise Notice. The relevant Exercise Notice shall provide that the Relevant Lease Asset(s), excluding the Certificateholder Put Right Lease Asset(s), will be leased to the Government (in its capacity as lessee) under the replacement Supplemental Lease Agreement. Each Sale Agreement and/or replacement Supplemental Lease Agreement shall be governed by the laws of the Sultanate of Oman.

The Government (in its capacity as obligor) has covenanted in the Purchase Undertaking that it will irrevocably and unconditionally fully accept all or any ownership interest the Trustee may have in the Relevant Lease Asset(s) (including any Certificateholder Put Right Lease Asset(s), as the case may be) and, if the Government does not fulfil such covenant, if that ownership interest is disputed or challenged or if the Government does not for any reason fulfil its obligations under clause 3 of the Purchase Undertaking, will fully indemnify the Trustee for the purpose of redemption in full of the relevant Series of Trust Certificates (or the Certificateholder Put Right Trust Certificates, as the case may be) and,

accordingly, the amount payable under such indemnity will equal the relevant Exercise Price (or Certificateholder Put Right Exercise Price, as the case may be).

The Government (in its capacity as obligor) will also agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking and the relevant Sale Agreement will be made without any deduction or withholding for Taxes unless required by law and without set-off (save as provided below) or counterclaim of any kind and, in the event that there is any deduction or withholding, the Government (as obligor) shall pay such additional amounts as will result in the receipt by the Trustee of such amounts as would have been received by it had no withholding or deduction had been required.

The amount equal to the Service Charge Amounts to be paid by the Government as part of the Exercise Price or Certificateholder Put Right Exercise Price (as the case may be) which has not been paid by way of a payment of Supplementary Rental under the relevant Supplemental Lease Agreement (and as defined therein) and any Service Charge Amounts to be paid by the Trustee (in its capacity as lessor) under the Servicing Agency Agreement shall be set off against one another.

The payment obligations of the Government under the Purchase Undertaking are direct, unconditional, unsubordinated and (subject to the negative pledge provisions described below) unsecured obligations of the Government and rank and (subject to the negative pledge provisions described below) will rank *pari passu*, without any preference among themselves, with all other Relevant Indebtedness of the Government, from time to time outstanding, **provided, further, that** the Government shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Relevant Indebtedness and, in particular, shall have no obligation to pay other Relevant Indebtedness at the same time or as a condition of paying sums due under the Purchase Undertaking and *vice versa*.

Under the Purchase Undertaking, the Government has undertaken that, so long as any Trust Certificate remains outstanding (as defined in the Master Trust Deed), the Government (acting in any capacity) will not create and will ensure that no Agency will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (any of the foregoing, a “**Lien**”), upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to its obligations under the Transaction Documents the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution; **provided, however, that** the foregoing shall not apply to any Lien solely incurred for the purpose of financing all or a part of the costs of the acquisition, construction or development of a project, **provided that** the property over which such Lien is granted consists solely of the assets and revenues of such project (including, without limitation, royalties and other similar payments accruing to the Government and/or such Agency (as applicable) generated by the relevant project).

In addition, the Government has agreed that certain events or circumstances shall constitute a “Government Event” (as defined herein).

### **Sale and Substitution Undertaking**

The Sale and Substitution Undertaking was executed on 4 October 2018 by Oman Sovereign Sukuk S.A.O.C. as Trustee as a deed in favour of the Government and will be governed by English law.

Pursuant to the Sale and Substitution Undertaking, subject to the Trustee being entitled to redeem the relevant Series of Trust Certificates pursuant to Conditions 11.2 or 11.5, as specified in the applicable Final Terms, the Government may, by exercising its option under the Sale and Substitution Undertaking and serving notice on Oman Sovereign Sukuk S.A.O.C. no later than 15 days prior to the commencement of the minimum period of notice specified in the Conditions or applicable Final Terms for the group notice to Certificateholders and notice to the Delegate in connection with the exercise of such option, oblige the Trustee to sell, transfer and convey all the Trustee’s rights, title and interests in, to and under the Relevant Lease Asset(s) on the Optional Dissolution Date or Clean Up Call Right Dissolution Date (as the case may be). The Exercise Price payable by the Government will be an amount equal to the aggregate face amount of Trust Certificates then outstanding for the relevant Series plus all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Trust Certificates plus, without duplication or double counting, an amount representing any amounts payable by Oman Sovereign Sukuk S.A.O.C. (in any capacity) under the Transaction Documents to which it is a party (including but not limited to, an amount equal to any Service Charge Amounts in respect of which an appropriate Supplementary Rental payment has not been made in accordance with the relevant Supplemental Lease Agreement), **provided that**, in the case of any amounts payable pursuant to Condition 5.2(a), the Government has received a notification from the Delegate of such amounts by not later than the third Business Day prior to the date on which the Exercise Notice is delivered, plus, without duplication or double counting, any other amounts payable on redemption of the Trust Certificates as specified in the applicable Final Terms. Subject to and only following payment in full of the Exercise Price into the Transaction Account on the Business Day prior to the relevant Optional Dissolution Date or Clean

Up Call Right Dissolution Date, as applicable, the Trustee shall enter into a Sale Agreement (in the form scheduled to the Sale and Substitution Undertaking).

The Sale and Substitution Undertaking provides that the Exercise Price payable pursuant to the exercise of the Sale and Substitution Undertaking will be made without any deduction or withholding for Taxes, unless required by law and without set-off (save as provided below) or counterclaim of any kind and, in the event that there is any deduction or withholding, the Government (in its capacity as purchaser) shall pay such additional amounts as will result in the receipt by the Trustee (in its capacity as seller) of such amounts as would have been received by it if no withholding or deduction had been required. The amount equal to any Service Charge Amounts to be paid by the Government as part of any Exercise Price payable pursuant to the exercise of the Sale and Substitution Undertaking, which has not been paid by way of a Supplementary Rental payment under the Supplemental Lease Agreement, and any Service Charge Amounts to be paid by Oman Sovereign Sukuk S.A.O.C. (in its capacity as lessor) under the Servicing Agency Agreement shall be set off against one another.

The relevant Exercise Notice will provide that if the Government (as purchaser) fails to pay all or part of any Exercise Price that is due in accordance therewith and with the Sale and Substitution Undertaking, any purported exercise of the Government's rights granted under the Sale and Substitution Undertaking (as described above) shall be void and of no effect.

In addition, under the terms of the Sale and Substitution Undertaking, if at any time the Government wishes to cancel any Trust Certificates purchased pursuant to Condition 12.1, the Government may, by exercising its option under the Sale and Substitution Undertaking (by serving a Cancellation Notice on the Trustee), following the delivery of the Cancelled Trust Certificates to the Registrar for cancellation pursuant to Condition 12.2, oblige the Trustee to transfer all of its rights, title and interests in, to and under the Cancelled Lease Asset(s) to the Government. The transfer of the Cancelled Lease Asset(s) will take effect by the Government (in its capacity as purchaser) and the Trustee (in its capacity as seller) entering into a Sale Agreement (in the form scheduled to the Sale and Substitution Undertaking). In addition, (save where the Trust Certificates of the relevant Series are being cancelled in full), the Government (in its capacity as lessee) shall also enter into a replacement Supplemental Lease Agreement with the Trustee (in its capacity as lessor) on the terms and subject to the conditions set out in the relevant Cancellation Notice. The Cancellation Notice shall provide that any Relevant Lease Asset(s) not cancelled will be leased to the Government (in its capacity as lessee) under the replacement Supplemental Lease Agreement.

Furthermore, pursuant to the terms of the Sale and Substitution Undertaking, the Trustee has granted to the Government the right to require the Trustee to sell all of its rights, title and interests in, to and under the Substituted Lease Asset(s) (as defined in the Sale and Substitution Undertaking) to it in exchange for delivery to the Trustee of New Asset(s) (as defined in the Sale and Substitution Undertaking) of a value (as determined by the relevant internal Government valuation of the New Asset(s) on the relevant Substitution Date (as defined in the Sale and Substitution Undertaking)) which is equal to or greater than the value (as determined by reference to the relevant internal Government valuation on the date on which the Substituted Lease Asset(s) was/were acquired by the Trustee) of the Substituted Lease Asset(s).

The substitution of the Substituted Lease Asset(s) with the New Asset(s) will become effective on the Substitution Date (as specified in the Substitution Notice to be delivered by the Government in accordance with the Sale and Substitution Undertaking, each as defined in the Sale and Substitution Undertaking) by the Trustee (in its capacity as seller) and the Government (in its capacity as purchaser) entering into a Sale Agreement and the relevant replacement Supplemental Lease Agreement being executed in the manner provided for in the Substitution Notice. The Sale Agreement will effect the transfer of ownership rights in the Substituted Lease Asset(s) from the Trustee to the Government and the Substitution Notice will provide that the New Asset(s) and any Relevant Lease Asset(s) not replaced will be leased to the Government (in its capacity as lessee) under the replacement Supplemental Lease Agreement.

Each Sale Agreement and/or replacement Supplemental Lease Agreement shall be governed by the laws of the Sultanate of Oman.

### **Servicing Agency Agreement**

The Servicing Agency Agreement was entered into on 4 October 2018 by the Trustee (in its capacity as lessor) and the Government (in its capacity as servicing agent), and will be governed by English law.

Pursuant to the Servicing Agency Agreement, the Government (as servicing agent) will be responsible on behalf of the Trustee (as lessor) for the carrying out of all Major Maintenance and Structural Repair (as defined in the Master Lease Agreement), the payment of Proprietorship Taxes (as defined in the Servicing Agency Agreement) (if any) charged, levied or claimed on the Relevant Lease Asset(s) and for effecting all appropriate Insurances in respect of the Lease Asset(s). If a Total Loss Event occurs, the Servicing Agent shall be responsible for ensuring that all proceeds of Insurances in respect

thereof (if any) are each paid in the Specified Currency directly into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event.

Notwithstanding the appointment of the Servicing Agent, the Trustee (in its capacity as lessor) shall, at its own cost and expense, be responsible for the performance of all Ordinary Maintenance and Repair (as defined in the Master Lease Agreement) required for the Relevant Lease Asset(s).

The Servicing Agency Agreement provides that if on the occurrence of a Total Loss Event the Servicing Agent receives notice from the Government that the Replacement Lease Asset(s) (as defined in the Servicing Agency Agreement) is/are available on or before the 30<sup>th</sup> day after the occurrence of the Total Loss Event, the Trustee shall purchase such Replacement Lease Assets from the Government by way of the payment by the Government (in its capacity as Servicing Agent) on behalf of the Trustee of the proceeds of the Insurances (or the assignment of the rights to such proceeds) to or to the order of the Government and the transfer to the Government by the Trustee of any residual interest it may hold in the Relevant Lease Asset(s) (including any remaining rights in respect of any proceeds of the Insurances), in each case, on the terms and subject to the conditions of an agreement substantially in the form of a Supplemental Purchase Agreement in consideration for the sale, transfer and conveyance by the Government of the Replacement Lease Asset(s) to the Trustee.

The replacement of the Relevant Lease Asset(s) with the Replacement Lease Asset(s) shall be subject to a replacement Supplemental Lease Agreement being entered into between the Government (in its capacity as lessee) and the Trustee (in its capacity as lessor) which shall specify the details of the Replacement Lease Asset(s).

If a Total Loss Event occurs and the Relevant Lease Asset(s) are not replaced as discussed above, the occurrence of a Total Loss Event will result in the redemption of the Trust Certificates of that Series and the consequent dissolution of the relevant Trust no later than the 31<sup>st</sup> day of after the occurrence of such Total Loss Event (being the “**Total Loss Dissolution Date**”).

If the amount of the proceeds of Insurances (if any) credited to the Transaction Account (as described above) is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount credited to the Transaction Account being the “**Total Loss Shortfall Amount**”), the Servicing Agent shall be responsible for paying the Total Loss Shortfall Amount directly into the Transaction Account by no later than close of business in London on the 30<sup>th</sup> day after the Total Loss Event has occurred, such that the amount standing to the credit of the Transaction Account on the Total Loss Dissolution Date represents the aggregate of the proceeds of Insurances payable in respect of a Total Loss Event (if any) and the Total Loss Shortfall Amount payable by the Servicing Agent in accordance with the terms of the Servicing Agency Agreement.

### ***Sharia Compliance***

Each Transaction Document provides that each of Oman Sovereign Sukuk S.A.O.C. and the Government of the Sultanate of Oman (represented by the Ministry of Finance) agrees that it has accepted the *Sharia* compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Trust Certificates and/or the Transaction Documents to which it is a party (or any provision thereof) is ultra vires or not compliant with the principles of *Sharia*;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Sharia* compliance of the Trust Certificates or the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Trust Certificates or the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Trust Certificates or the Transaction Documents to which it is a party are not compliant with the principles of *Sharia*.

## CLEARING AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Clearstream, Luxembourg or Euroclear (together, the “Clearing Systems”) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Trustee, the Government, the Delegate nor any other party to the Agency Agreement 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 Trust Certificates held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

*Words and expressions defined in the Conditions shall have the same meanings in this section, “Clearing and Settlement”.*

### **DTC Book-Entry**

DTC is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a **“banking organisation”** within the meaning of the New York Banking Law, a **“clearing corporation”** within the meaning of the New York Uniform Commercial Code and a **“clearing agency”** registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**“Direct Participants”**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (**“DTCC”**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**“Indirect Participants”** and, together with Direct Participants, **“Participants”**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **“DTC Rules”**), DTC makes book-entry transfers of Trust Certificates among Direct Participants on whose behalf it acts with respect to Trust Certificates accepted into DTC’s book-entry settlement system (**“DTC Certificates”**) as described below and receives and transmits distributions of Dissolution Amounts and Periodic Distribution Amounts on DTC Certificates. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Certificates (**“Beneficial Owners”**) have accounts with respect to the DTC Certificates similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Certificates through Direct Participants or Indirect Participants will not possess Trust Certificates, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Certificates.

Purchases of DTC Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Certificates on DTC’s records. The ownership interest of each actual purchaser of each DTC Certificate (**“Beneficial Owner”**) is in turn to be recorded on the Direct Participant’s and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Certificates, except in the event that use of the book-entry system for the DTC Certificates is discontinued.

To facilitate subsequent transfers, all DTC Certificates deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC.



Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Certificates unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Dissolution Amounts and Periodic Distribution Amounts on the DTC Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of Dissolution Amounts and Periodic Distribution Amounts to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under the occurrence of an Exchange Event (see "*Form of the Trust Certificates*"), including if there is a Dissolution Event under the Trust Certificates, DTC will exchange the DTC Certificates for definitive Trust Certificates, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Restricted Global Trust Certificate, will be legended as set forth under "*Subscription and Sale*" and "*Transfer Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Certificates purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Certificates by causing the Direct Participant to transfer the Participant's interest in the DTC Certificates, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Certificates to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Certificates at any time by giving reasonable notice to the Trustee or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Certificates are required to be printed and delivered.

The Trustee may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Certificates to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Certificates, will be required to withdraw its Trust Certificates from DTC as described below.

#### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

#### ***Book-Entry Ownership and Payment in Respect of DTC Certificates***

The Trustee may apply to DTC in order to have any Series of Trust Certificates represented by a Global Trust Certificate accepted in its book-entry settlement system. Upon the issue of any such Global Trust Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests

represented by such Global Trust Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer(s). Ownership of beneficial interests in such a Global Trust Certificate will be limited to Direct Participants or Indirect Participants, including, in the case of any Unrestricted Global Trust Certificate (as defined herein), the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Global Trust Certificate accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of any amount in respect of a Global Trust Certificate accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Global Trust Certificate. In the case of any payment in a currency other than U.S. dollars, payment will be made to the an exchange agent on behalf of DTC or its nominee and the relevant exchange agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Trust Certificate in the currency in which such payment was made and/or (where an election to receive payment in the Specified Currency has not been made) cause all or a portion of such payment to be converted into U.S. dollars and the proceeds of such conversion (net of all applicable costs of exchange) shall be credited to the applicable Participants' account(s).

The Trustee expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC on the Record Date unless DTC has reason to believe that it will not receive payment on such payment date. The Trustee also expects that payments by Participants to beneficial owners of Trust Certificates will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Trustee. Payment of Dissolution Amounts and Periodic Distribution Amounts on Trust Certificates to DTC is the responsibility of the Trustee.

#### ***Transfers of Trust Certificates Represented by Global Trust Certificates***

Transfers of any interests in Trust Certificates represented by a Global Trust Certificate within DTC, Euroclear and/or Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Trust Certificates represented by a Global Trust Certificate to such persons may depend upon the ability to exchange such Global Trust Certificate for Trust Certificates in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Trust Certificates represented by a Global Trust Certificate accepted by DTC to pledge such Trust Certificates to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Trust Certificates may depend upon the ability to exchange such Trust Certificates for Trust Certificates in definitive form. The ability of any holder of Trust Certificates represented by a Global Trust Certificate accepted by DTC to resell, pledge or otherwise transfer such Trust Certificates may be impaired if the proposed transferee of such Trust Certificates is not eligible to hold such Trust Certificates through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Trust Certificates described under “*Subscription and Sale*” and “*Transfer Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other hand, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any depository or custodian with whom the relevant Global Trust Certificates have been deposited.

On or after the Issue Date for any Series, transfers of Trust Certificates of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Trust Certificates of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Trust Certificates will be effected through the Registrar, the Principal Paying Agent and the custodian or depository, as applicable, receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Clearstream, Luxembourg or Euroclear accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Trust Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Trustee, the Government, the Delegate, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Trust Certificates represented by Global Trust Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TRANSFER RESTRICTIONS

*Words and expressions defined in the Conditions shall have the same meanings in this section, "Transfer Restrictions".*

Each purchaser of Trust Certificates within the United States pursuant to Rule 144A, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged that:

- (1) It (a) is a QIB that is also a QP; (b) is not a broker-dealer that owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers; (c) is not a participant-directed employee plan, such as a 401(k) plan; (d) is acquiring such Trust Certificates for its own account or for the account of one or more QIBs, each of which is also a QP; (e) was not formed for the purpose of investing in the Trust Certificates or the Trustee; and (f) is aware, and each beneficial owner of such Trust Certificates has been advised, that the sale of such Trust Certificates to it is being made in reliance on Rule 144A.
- (2) It will (a) along with each account for which it is purchasing, hold and transfer interests in the Trust Certificates in a principal amount that is not less than U.S.\$250,000; and (b) provide notice of the transfer restrictions set forth herein to any subsequent transferees. In addition, it understands that the Trustee may receive a list of participants holding positions in the Trustee's securities from one or more book entry depositories.
- (3) The Trust Certificates have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB who is also a QP purchasing for its own account or for the account of one or more QIBs who are also QPs as to which it exercises sole investment discretion; (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available); or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States, and it will, and each subsequent holder of the Trust Certificates will be required to, notify any purchaser of the Trust Certificates from it of the resale restrictions of the Trust Certificates.
- (4) The purchaser understands that any sale or transfer of the Trust Certificates (or of any beneficial interest therein) to a person that does not comply with the requirements set forth in these "Transfer Restrictions" will be null and void ab initio and not honoured by the Trustee. It further understands that if at any time the Trustee determines in good faith that a holder of the Trust Certificates (or of any beneficial interest therein) is in breach, at the time given, of any of the representations and agreements contained in these "Transfer Restrictions", the Trustee may require such holder to transfer such Trust Certificate (or beneficial interest therein) to a transferee acceptable to the Trustee who is able to and who does make all of the representations and agreements set forth in these "Transfer Restrictions". Pending such transfer, such holder will be deemed not to be the holder of such Trust Certificates for any purpose, including but not limited to receipt of Dissolution Amounts and Periodic Distribution Amounts, and such holder will be deemed to have no interest whatsoever in such Trust Certificates except as otherwise required to sell its interest therein as described in this paragraph.
- (5) Trust Certificates sold in the offering will constitute "restricted securities" within the meaning of Rule 144 under the Securities Act, and for so long as they remain "restricted securities" such Trust Certificates may not be transferred except as described in subparagraph (3) above;
- (6) Such Trust Certificates, unless the Trustee determines otherwise in compliance with applicable law, will bear a legend to the following effect:

"THIS TRUST CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND ACCORDINGLY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DISPOSED OF EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (A "**QIB**") WITHIN THE MEANING OF RULE 144A WHO IS ALSO A QUALIFIED PURCHASER (A "**QP**") AS DEFINED IN SECTION 2(A)(51)(A) OF THE INVESTMENT COMPANY ACT PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE QIBs WHO ARE ALSO QPs AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION AND WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$250,000 OR (2) IN AN OFFSHORE TRANSACTION TO A NON-U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT "**REGULATION S**") IN

ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$250,000 AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE TRUST CERTIFICATES REPRESENTED HEREBY OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT AND WILL BE VOID AB INITIO AND NOT HONOURED BY THE TRUSTEE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR REALES OF THIS TRUST CERTIFICATE.

IF THE BENEFICIAL OWNER HEREOF IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S, SUCH BENEFICIAL OWNER REPRESENTS THAT: (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN; (4) IT IS HOLDING THE TRUST CERTIFICATES REPRESENTED HEREBY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, EACH OF WHICH IS A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE TRUSTEE OR THE TRUST CERTIFICATES REPRESENTED HEREBY; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS TRUST CERTIFICATES, WILL HOLD AND TRANSFER AT LEAST U.S.\$250,000; (7) IT UNDERSTANDS THAT THE TRUSTEE MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK ENTRY DEPOSITARIES; AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS TRUST CERTIFICATE IT IS NOT A QIB AND A QP, THE TRUSTEE MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS TRUST CERTIFICATE TO A PERSON WHO IS (I) A QIB AND A QP THAT IS OTHERWISE QUALIFIED TO PURCHASE THE TRUST CERTIFICATES REPRESENTED HEREBY IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) NOT A U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THE TRUST CERTIFICATES REPRESENTED HEREBY TO THE TRUSTEE OR AN AFFILIATE OF THE TRUSTEE OR TRANSFER ITS INTEREST IN THIS TRUST CERTIFICATE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE TRUSTEE AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100 PER CENT. OF THE FACE AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE TRUSTEE HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THE TRUST CERTIFICATES REPRESENTED HEREBY TO A U.S. PERSON WHO IS NOT A QIB AND A QP. THE TRUSTEE HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY IN THE UNITED STATES UNDER THE INVESTMENT COMPANY ACT.

BY ACCEPTING THIS TRUST CERTIFICATE (OR ANY INTEREST IN THE TRUST CERTIFICATES REPRESENTED HEREBY) EACH BENEFICIAL OWNER HEREOF, AND EACH FIDUCIARY ACTING ON BEHALF OF THE BENEFICIAL OWNER (BOTH IN ITS INDIVIDUAL AND CORPORATE CAPACITY), WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT, DURING THE PERIOD IT HOLDS THIS TRUST CERTIFICATE (OR ANY INTEREST HEREIN): (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF, AN **"EMPLOYEE BENEFIT PLAN"** (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**"ERISA"**)) SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A **"PLAN"** AS DEFINED IN AND TO WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (**"CODE"**), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS ARE TREATED AS **"PLAN ASSETS"** BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A **"BENEFIT PLAN INVESTOR"**), AND NO PART OF THE ASSETS TO BE USED BY IT TO PURCHASE OR HOLD THIS TRUST CERTIFICATE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR; (B) IF IT IS, OR IS ACTING ON BEHALF OF, A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR ANY ENTITY WHOSE UNDERLYING ASSETS ARE TREATED AS THE ASSETS OF ANY SUCH PLAN, THE ACQUISITION, HOLDING AND DISPOSITION OF THIS TRUST CERTIFICATE (OR ANY INTEREST HEREIN) DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (**"SIMILAR LAW"**) AND WILL NOT SUBJECT THE TRUSTEE OR ANY TRANSACTIONS THEREBY TO ANY SIMILAR LAW AS A RESULT OF THE INVESTMENT IN THE TRUST BY SUCH PLAN; AND (C) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY TRUST CERTIFICATES OR ANY INTEREST THEREIN TO ANY PERSON UNLESS THE SAME FOREGOING REPRESENTATIONS AND WARRANTIES APPLY TO THAT PERSON. NO PURCHASE BY OR TRANSFER TO A BENEFIT PLAN INVESTOR OR OTHER PLAN OR ENTITY SUBJECT TO SIMILAR LAW OF THIS TRUST CERTIFICATE, OR ANY INTEREST HEREIN,

WILL BE EFFECTIVE, AND NEITHER THE TRUSTEE NOR THE DELEGATE WILL RECOGNISE ANY SUCH ACQUISITION OR TRANSFER. IN THE EVENT THAT THE TRUSTEE DETERMINES THAT THIS TRUST CERTIFICATE (OR ANY INTEREST HEREIN) IS HELD BY A BENEFIT PLAN INVESTOR OR OTHER PLAN OR ENTITY SUBJECT TO SIMILAR LAW AND SUCH ACQUISITION OR HOLDING RESULTS IN A VIOLATION OF SIMILAR LAW, THE TRUSTEE MAY CAUSE A SALE OR TRANSFER IN THE MANNER DESCRIBED IN THE OFFERING MEMORANDUM.

THE TRUSTEE MAY COMPEL EACH BENEFICIAL OWNER OF THE TRUST CERTIFICATES REPRESENTED HEREBY TO CERTIFY PERIODICALLY THAT SUCH BENEFICIAL OWNER IS A QIB AND A QP;

- (7) It understands that the Trustee, the Government, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements;
- (8) It understands and acknowledges that the Trustee has not registered and does not intend to register as an “investment company” (as such term is defined in the Investment Company Act and related rules) and that the Trustee has imposed the transfer and offering restrictions with respect to persons in the United States and U.S. persons described herein so that the Trustee will qualify for the exemption provided under Section 3(c)(7) of the Investment Company Act and will have no obligation to register as an investment company in the United States;
- (9) It agrees that neither it, nor any of its affiliates, nor any person acting on its or their behalf, will make “directed selling efforts” as defined in Regulation S, or any “general solicitation or general advertising” as defined in Regulation D under the Securities Act, with respect to the Trust Certificates; and
- (10) The Trustee, the Government, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. The purchaser or transferee of the Trust Certificates agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Trust Certificates are no longer accurate, it shall promptly notify the Trustee, the Government and the Dealers. If it is acquiring any Trust Certificate as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

**Prospective purchasers are hereby notified that sellers of the Trust Certificates may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

#### **ERISA Transfer Restrictions**

Each purchaser or transferee of the Trust Certificates (or any interest in the Trust Certificates) will be deemed to have represented, warranted and agreed that, during the period it holds the Trust Certificates (or any interest therein), (a) it is not, and is not acting on behalf of: (i) a Plan (as defined in “*ERISA Considerations*”), and no part of the assets to be used by it to purchase or hold the Trust Certificates or any interest therein constitutes the assets of any such Plan, or (ii) a governmental, church or non-U.S. plan or any entity whose underlying assets are deemed to include the assets of any such plan, unless, under this subsection (ii), the acquisition, holding and disposition of the Trust Certificates (or any interest therein) does not and will not constitute or result in a violation of any Similar Law (as defined in “*ERISA Considerations*”) and will not subject the Trustee or any transactions thereby to any such Similar Law as a result of the investment in the Trust by such plan, and (b) it will not sell or otherwise transfer any Trust Certificates or any interest therein to any person unless the same foregoing representations and warranties apply to that person.

# TAXATION

*The following is a general description of certain Oman and U.S. Federal tax considerations relating to the Trust Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Trust Certificates, whether in those jurisdictions or elsewhere. Prospective purchasers of Trust Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Trust Certificates and receiving payments under the Trust Certificates and the consequences of such actions under the tax laws of those countries. 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.*

## **Omani Taxation**

The following is a summary of the principal Omani tax consequences of ownership of the Trust Certificates by beneficial owners which are not incorporated in or who are not residents of Oman for Omani tax purposes and do not conduct business activities in Oman (“**Non-Omani Holders**”). This summary does not purport to consider all of the possible Omani tax consequences of the purchase, ownership and disposition of the Trust Certificates and is not intended to reflect the individual tax position of any Certificateholders. This summary is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary does not include any description of the tax laws of any state, local or foreign governments (other than Oman) that may be applicable to the Trust Certificates or the holders thereof.

Persons considering an investment in the Trust Certificates should consult their own tax advisers concerning the application of Omani tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Trust Certificates arising under the laws of any other taxing jurisdiction.

While payments of Dissolution Amounts on the Trust Certificates by the Trustee to Non-Omani Holders will not be subject to Omani withholding tax, payments of Periodic Distribution Amounts on the Trust Certificates by the Trustee to Non-Omani Holders will also not be subject to Omani withholding tax as a consequence of the Tax Amendments and the amendments introduced by Ministerial Decision № 14/2019 (see “*Public Finance—Taxation—Corporate Income Tax and WHT*”). With regards to any such withholding and/or deductions made on account of withholding tax payable in respect of payments of Periodic Distribution Amounts and any withholding and/or deductions required by law in relation to payments of Dissolution Amounts in the future, the Trustee has agreed to pay such additional amounts as will result in receipt by the Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required, except in certain limited circumstances described in “*Terms and Condition of the Trust Certificates—Taxation*”.

Payments of Dissolution Amounts and Periodic Distribution Amounts by the Trustee to Non-Omani Holders will not be subject to Omani income taxes in Oman. Furthermore, Non-Omani Holders are not subject to Omani tax on any capital gains derived from a sale of the Trust Certificates. No Omani stamp duty will be imposed on Non-Omani Holders either upon the issuance of the Trust Certificates or upon a subsequent transfer of the Trust Certificates.

## **Changes to tax law**

The GCC member states have developed a broad framework for the introduction of VAT in the region. The framework agreement sets out the underlying principles of VAT laws for the six GCC countries, leaving the member states with some flexibility to determine their own requirements in certain areas.

On 12 October 2020, H.M. Sultan Haitham bin Tariq Al Said issued Royal Decree 121/2020 promulgating the VAT Law. The VAT Law was published in the Official Gazette of Oman on 18 October 2020 and came into effect on 16 April 2021. The VAT Law imposes a value added tax at a base rate of 5% on most goods and services exported to or imported from Oman. On 4 January 2021, the Tax Authority issued three decisions in relation to the VAT Law, the first of which determines the monetary thresholds for mandatory and voluntary registration, the second provides a list of food items that are zero rated and the third determines a schedule for mandatory tax registration for taxable persons. On 10 March 2021, the Tax Authority issued the executive regulations to the VAT Law. Between March and April 2021, two further decisions (№ 59/2021 and № 65/2021) were issued in relation to VAT, providing a list of further food items and medical supplies that are zero rated.

In January 2021, the Government appointed a consultant to propose a suitable income tax policy and related implementation requirements.

## Certain U.S. Federal Income Tax Considerations

The following summary of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Trust Certificates by a U.S. Holder (as defined below) is based upon the U.S. Internal Revenue Code of 1986, as amended (the “Code”), final, temporary and proposed Treasury regulations issued thereunder, and published judicial and administrative interpretations thereof, each as of the date hereof, and all of which are subject to change, possibly with retroactive effect. No ruling will be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any statement or conclusion in this discussion, and there can be no assurance that the IRS will not challenge such statement or conclusion in the following discussion or, if challenged, a court would uphold such statement or conclusion.

This summary does not purport to be a complete analysis of all potential tax consequences. This discussion does not address all of the U.S. federal income tax consequences that may be relevant to an investor in light of such investor’s particular circumstances or to investors subject to special treatment under U.S. federal income tax laws, such as financial institutions, certain U.S. expatriates, insurance companies, retirement plans, dealers in securities or foreign currencies, traders in securities that elect mark-to-market tax accounting, U.S. Holders whose functional currency is not the U.S. dollar, partnerships, tax-exempt organisations, regulated investment companies, real estate investment trusts, persons subject to alternative minimum tax or the medicare unearned income tax or surtax, and persons holding the Trust Certificates as part of a “straddle,” “hedge,” “conversion transaction” or other integrated transaction. In addition, this discussion is limited to persons that purchase the Trust Certificates for cash at original issue and at their “issue price” (generally, the first price at which a substantial amount of the Trust Certificates is sold to the public for cash) and that hold the Trust Certificates as capital assets for U.S. federal income tax purposes.

For purposes of this discussion, the term “**U.S. Holder**” means a beneficial owner of a Trust Certificate that is, for U.S. federal income tax purposes, (i) an individual that is a citizen or resident of the United States, (ii) a corporation created or organised in, or under the laws of, the United States, any state therein or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust primarily supervised by a U.S. court and controlled by U.S. persons.

If an entity or arrangement classified as a partnership for U.S. federal income tax purposes invests in Trust Certificates, the U.S. federal income tax treatment of a partner in such partnership will generally depend upon the status of such partner and the activities of the partnership. Prospective investors that are partnerships, and partners in such partnerships, should consult their own tax advisers to determine the U.S. federal income tax consequences to them of the purchase, ownership and disposition of the Trust Certificates.

Prospective purchasers of the Trust Certificates should consult their own tax advisers concerning the tax consequences of investing in Trust Certificates in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of state, local, non-U.S. other tax laws.

Pursuant to recent legislation, for taxable years beginning after 31 December 2017, an accrual method taxpayer that reports revenues on an applicable financial statement generally must recognize income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in an applicable financial statement of the taxpayer. Thus, this rule could potentially require such a taxpayer to recognize income for U.S. federal income tax purposes with respect to the Trust Certificates prior to the time such income would be recognized pursuant to the rules described below. Potential investors in Trust Certificates should consult their tax advisers regarding the potential applicability of these rules to their investment in the Trust Certificates.

This summary assumes that the Trust Certificates are not characterized as contingent payment debt instruments for U.S. federal income tax purposes. To the extent that Trust Certificates are treated as contingent payment debt instruments for U.S. federal income tax purposes, the U.S. federal income tax consequences of holding such Trust Certificates will be discussed in the applicable prospectus supplement. This summary should be read in conjunction with any discussion of U.S. federal income tax consequences in the applicable prospectus supplement. To the extent there is any inconsistency in the discussion of U.S. tax consequences to holders between this Base Prospectus and the applicable prospectus supplement, holders should rely on the tax consequences described in the applicable prospectus supplement instead of this Base Prospectus.

## Classification of the Trust Certificates

The Issuer and the Trustee intend to treat the Trust Certificates as representing a beneficial interest in indebtedness for U.S. federal income tax purposes and each holder and beneficial owner of a Trust Certificate, by acceptance of such Trust Certificate or a beneficial interest therein, will likewise agree to treat the Trust Certificates as representing a beneficial interest in indebtedness for such purposes. This treatment is not binding on the IRS and no ruling will be sought from the IRS regarding this or any other aspect of the tax treatment of the Trust Certificates. It is possible that the IRS could



successfully argue that the Trust Certificates should be treated as equity interests in the Issuer. If the Trust Certificates were treated as equity interests in the Issuer, U.S. Holders likely would be treated as owning interests in a passive foreign investment company (or “**PFIC**”), which could have materially adverse tax consequences for such U.S. Holders. Prospective investors should seek advice from their own tax advisors as to the consequences to them of alternative characterisations of the Trust Certificates, the possibility that the Trust Certificates might be classified as equity interests in a PFIC and the consequences of owning an equity interest in a PFIC. The remainder of this discussion assumes that the Trust Certificates represent a beneficial interest in indebtedness for U.S. federal income tax purposes.

### **Payments of Periodic Distribution Amounts**

Except as discussed below under “Original Issue Discount,” payments of Periodic Distribution Amounts on the Trust Certificates (including any additional amounts payable pursuant to the Conditions) will be treated as payments of profit and generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder’s usual method of accounting for U.S. federal income tax purposes.

A U.S. Holder may, subject to certain limitations, be eligible to claim a credit or deduction in respect of any non-U.S. taxes that are withheld from payments on the Trust Certificates for purposes of computing its U.S. federal income tax liability. Periodic Distribution Amounts and original issue discount (“**OID**”), if any, received or accrued on the Trust Certificates and additional amounts payable pursuant to the Conditions generally will constitute foreign source income to U.S. Holders for U.S. federal income tax purposes and generally will be considered “passive” income for purposes of the rules related to calculating foreign tax credits. The rules relating to foreign tax credits are complex and U.S. Holders should consult their own tax advisers with regard to the availability and calculation of foreign tax credits and the application of the foreign tax credit rules to their particular situation. Special rules governing the treatment of Periodic Distribution Amounts paid with respect to original issue discount Trust Certificates and foreign currency Trust Certificates (each as defined below) are described under “—*Original Issue Discount*” and “—*Foreign Currency Trust Certificates*.”

### **Original Issue Discount**

A Trust Certificate that has an “issue price” (as defined above) that is less than its “stated redemption price at maturity” will be considered to have been issued with OID for U.S. federal income tax purposes (and will be referred to as an “**original issue discount Trust Certificate**”) unless the Trust Certificate satisfies a *de minimis* threshold (as described below). The “stated redemption price at maturity” of a Trust Certificate generally will equal the sum of all payments required to be made under the Trust Certificate other than payments of “qualified stated interest”. “**Qualified stated interest**” is stated interest unconditionally payable (other than in debt instruments of the Issuer) at least annually during the entire term of the Trust Certificate at a single fixed rate of interest, at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Trust Certificate is denominated.

If the difference between a Trust Certificate’s stated redemption price at maturity and its issue price is less than a *de minimis* amount, *i.e.*, one-quarter of one per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity (or weighted average maturity if any amount included in the stated redemption price at maturity is payable before maturity), the Trust Certificate will not be considered to have OID. U.S. Holders of the Trust Certificates with less than a *de minimis* amount of OID will include this OID in income, as capital gain, on a pro rata basis as principal payments are made on the Trust Certificate.

U.S. Holders of original issue discount Trust Certificates that mature more than one year from their date of issuance will be required to include OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received. Under these rules, U.S. Holders generally will have to include in taxable income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any particular Trust Certificate (including stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium, as described below) in accordance with a constant yield method based on the compounding of interest, and generally may revoke such election (a “**constant yield election**”) only with the permission of the IRS. However, if the Trust Certificate has amortisable bond premium (discussed below), the U.S. Holder will be deemed to have made an election to apply amortisable bond premium against interest for all debt instruments with amortisable bond premium, other than instruments the interest on which is excludable from gross income, held as of the beginning of the taxable year to which the election applies or to any taxable year thereafter. If a U.S. Holder makes a constant yield election with respect to a Trust Certificate with market discount (discussed below), the U.S. Holder will be treated as having made an election to include market discount in income currently over the life of all debt instruments with market discount acquired by the electing U.S. Holder on or after the

first day of the first taxable year to which such election applies. U.S. Holders should consult their tax advisors about making this election in light of their particular circumstances.

A Trust Certificate that matures one year or less from its date of issuance (a “**short-term Trust Certificate**”) will be treated as being issued at a discount and none of the interest paid on the Trust Certificate will be treated as qualified stated interest regardless of its issue price. In general, a cash method U.S. Holder of a short-term Trust Certificate is not required to accrue the discount for U.S. federal income tax purposes but may elect to do so. Cash method U.S. Holders who do not elect to accrue the discount should include stated interest payments on short-term Trust Certificates as ordinary income upon receipt. Cash method U.S. Holders who do elect to accrue the discount and certain other holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realized on the sale, exchange, or retirement of the short-term Trust Certificate will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Trust Certificates in an amount not exceeding the accrued discount until the accrued discount is included in income.

The Issuer may have an unconditional option to redeem, or U.S. Holders may have an unconditional option to require the Issuer to redeem, a Trust Certificate prior to its stated maturity date. Under applicable regulations, if the Issuer has an unconditional option to redeem a Trust Certificate prior to its stated maturity date, this option will be presumed to be exercised if, by utilizing any date on which the Trust Certificate may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Trust Certificate as the stated redemption price at maturity, the yield on the Trust Certificate would be lower than its yield to maturity. If the U.S. Holders have an unconditional option to require the Issuer to redeem a Trust Certificate prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Trust Certificate would be higher than its yield to maturity. If it was presumed that an option would be exercised but it is not in fact exercised, the Trust Certificate would be treated solely for purposes of calculating OID as if it were redeemed, and a new Trust Certificate were issued, on the presumed exercise date for an amount equal to the Trust Certificate’s adjusted issue price on that date. The adjusted issue price of an original issue discount Trust Certificate is defined as the sum of the issue price of the Trust Certificate and the aggregate amount of previously accrued OID, less any prior payments other than payments of qualified stated interest.

### **Variable Interest Rate Trust Certificates**

Trust Certificates that provide for interest at variable rates (“**Variable Interest Rate Trust Certificates**”) generally will bear interest at a “qualified floating rate” and thus will be treated as “variable rate debt instruments” under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Trust Certificate will qualify as a “variable rate debt instrument” if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Trust Certificate by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of such total non-contingent principal payments and the number of complete years to maturity of the instrument (or, in the case of a Trust Certificate providing for the payment of any amount other than qualified stated interest prior to maturity, multiplied by the weighted average maturity of the Trust Certificate) or (ii) 15 percent of the total non-contingent principal payments, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A “**qualified floating rate**” is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Trust Certificate is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Trust Certificate (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Trust Certificate’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (*i.e.*, a cap) or a minimum numerical limitation (*i.e.*, a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Trust Certificate.

An “**objective rate**” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Trust Certificate will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Trust Certificate’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Trust Certificate’s term. A “**qualified inverse floating rate**” is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Trust Certificate provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Trust Certificate’s issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “**current value**” of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Trust Certificate that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, then any stated interest on the Trust Certificate which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Trust Certificate that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a “variable rate debt instrument” generally will not be treated as having been issued with OID unless the Variable Interest Rate Trust Certificate is issued at a “true” discount (*i.e.*, at a price below the Trust Certificate’s stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Trust Certificate arising from a true discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Trust Certificate.

In general, any other Variable Interest Rate Trust Certificate that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of OID and the qualified stated interest on the Variable Interest Rate Trust Certificate. Such a Variable Interest Rate Trust Certificate must be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Trust Certificate with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Trust Certificate’s issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Trust Certificate is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Trust Certificate. In the case of a Variable Interest Rate Trust Certificate that qualifies as a “variable rate debt instrument” and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Trust Certificate provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Trust Certificate as of the Variable Interest Rate Trust Certificate’s issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Trust Certificate is converted into an “equivalent” fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Trust Certificate is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Trust Certificate will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt

instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Trust Certificate during the accrual period.

If a Variable Interest Rate Trust Certificate, such as a Trust Certificate the payments on which are determined by reference to an index, does not qualify as a “variable rate debt instrument”, then the Variable Interest Rate Trust Certificate will be treated as a contingent payment debt instrument. The proper U.S. federal income tax treatment of Variable Interest Rate Trust Certificate that are treated as contingent payment debt may be more fully described in the applicable Final Terms.

### **Market Discount**

If a U.S. Holder purchases a Trust Certificate (other than a short-term Trust Certificate) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Trust Certificate, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an original issue discount Trust Certificate, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Trust Certificate, including disposition in certain non-recognition transactions, as foreign source ordinary income to the extent of the market discount accrued on the Trust Certificate at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the U.S. Holder to include market discount in income as it accrues. An election to include market discount in income as it accrues applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies and may not be revoked without the consent of the IRS. In addition, a U.S. Holder that does not elect to include market discount in income currently may be required to defer, until the maturity of the Trust Certificate or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Trust Certificate. Such interest is deductible when paid or incurred to the extent of income from the Trust Certificate for the year. If the interest expense exceeds such income, such excess is currently deductible only to the extent that such excess exceeds the portion of the market discount allocable to the days during the taxable year on which such Trust Certificate was held by the U.S. Holder.

Market discount will accrue on a straight line basis unless a U.S. Holder makes an election on a Trust Certificate to accrue on the basis of a constant interest rate. This election is irrevocable once made.

### **Acquisition Premium and Amortisable Bond Premium**

A U.S. Holder who purchases a Trust Certificate for an amount that is greater than the Trust Certificate’s adjusted issue price but less than or equal to the stated redemption price at maturity will be considered to have purchased the Trust Certificate at an acquisition premium. Under the acquisition premium rules, the amount of OID that the U.S. Holder must include in its gross income with respect to the Trust Certificate for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year. If the U.S. Holder has a constant yield election in place for a Trust Certificate (as described above), acquisition premium properly allocable to a particular year will offset all interest that accrues on the Trust Certificate for the year.

If a U.S. Holder purchases a Trust Certificate for an amount that is greater than the stated redemption price at maturity, the U.S. Holder will be considered to have purchased the Trust Certificate with amortisable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The U.S. Holder may elect to amortise this premium, using a constant yield method, over the remaining term of the Trust Certificate. A U.S. Holder who elects to amortise bond premium must reduce its tax basis in the Trust Certificate by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. Holder and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under “—*Original Issue Discount*”) for a Trust Certificate with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the Holder’s debt instruments with amortisable bond premium.

### **Sale or Other Disposition of Trust Certificates**

A U.S. Holder’s tax basis in a Trust Certificate generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Trust Certificate and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder’s income with respect to the

Trust Certificate, and reduced by (i) the amount of any payments other than qualified stated interest payments, and (ii) the amount of any amortisable bond premium or acquisition premium applied to reduce interest on the Trust Certificate.

A U.S. Holder generally will recognise gain or loss on the sale or other disposition of a Trust Certificate equal to the difference between the amount realised on the sale or other disposition and the tax basis of the Trust Certificate. Except to the extent described above under “—*Original Issue Discount*” and “—*Market Discount*” or attributable to accrued but unpaid interest or changes in exchange rates (as discussed below), gain or loss recognised on the sale or other disposition of a Trust Certificate will be capital gain or loss and generally will be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rates applicable to capital gain is currently lower than the maximum marginal rates applicable to ordinary income if the Trust Certificates are held for more than one year at the time of the sale or other disposition. The deductibility of capital losses is subject to significant limitations.

### **Foreign Currency Trust Certificates**

The following discussion summarises certain U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of Trust Certificates the payments of interest or principal on which are denominated in or determined by reference to a currency other than the U.S. dollar (“**foreign currency Trust Certificates**”).

The rules applicable to foreign currency Trust Certificates could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Trust Certificate to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Trust Certificates are complex and may depend on the U.S. Holder’s particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. Holder should make any of these elections may depend on the U.S. Holder’s particular U.S. federal income tax situation. U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Trust Certificates.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Trust Certificate will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder’s tax basis in the foreign currency.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including OID or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Trust Certificate during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the relevant taxable year. The U.S. Holder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue OID or market discount.

An accrual method U.S. Holder or cash method U.S. Holder accruing OID may elect to translate interest income (including OID) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the partial accrual period in the relevant taxable year). Additionally, if the last day of the accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder that has made such election may translate accrued interest using the spot rate of exchange in effect on the date of receipt. The above election will apply to all debt obligations held by such U.S. Holder and may not be changed without the consent of the IRS. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

OID, market discount, acquisition premium and amortisable bond premium on a foreign currency Trust Certificate are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above. Accrued market discount (other than market discount currently included in income) taken into account upon the receipt of any partial principal payment or upon the sale, retirement or other disposition of a Trust Certificate is translated into U.S. dollars at the spot rate on such payment or disposition date.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as on the sale, exchange or retirement of the foreign currency Trust Certificate. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Trust Certificate with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium.

A U.S. Holder's tax basis in a foreign currency Trust Certificate, and the amount of any subsequent adjustment to the U.S. Holder's tax basis, will be the U.S. dollar value amount of the foreign currency amount paid for such foreign currency Trust Certificate, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. Holder who purchases a foreign currency Trust Certificate with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the foreign currency Trust Certificate on the date of purchase.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Trust Certificate that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between: (i) the U.S. dollar value of the foreign currency principal amount of the Trust Certificate, determined on the date the payment is received or the Trust Certificate is disposed of; and (ii) the U.S. dollar value of the foreign currency principal amount of the Trust Certificate, determined on the date the U.S. Holder acquired the Trust Certificate. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Trust Certificates described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of the foreign currency Trust Certificate. The source of the foreign currency gain or loss will be determined by reference to the residence of the U.S. Holder or the "qualified business unit" of the U.S. Holder on whose books the Trust Certificate is properly reflected. Any gain or loss realised by these U.S. Holders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or discount on a short-term Trust Certificate not previously included in the U.S. Holder's income. Holders should consult their tax advisors with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Trust Certificate accrue.

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a foreign currency Trust Certificate equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. A cash method taxpayer who buys or sells a foreign currency Trust Certificate that is traded on an established securities market is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations **provided that** the Trust Certificates are traded on an established securities market. This election cannot be changed without the consent of the IRS. If either: (i) the Trust Certificate is not traded on an established securities market; or (ii) it is and the U.S. Holder is an accrual method taxpayer that does not make the election described above with respect to such Trust Certificate, exchange gain or loss may result from currency fluctuations between the trade date and the settlement date of the purchase or sale. Any gain or loss realised by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase foreign currency Trust Certificates) will be ordinary income or loss.

### **Information reporting and backup withholding**

Information returns may be filed with the IRS (unless the U.S. Holder establishes, if requested to do so, that it is an exempt recipient) in connection with payments on the Trust Certificates, and the proceeds from the sale, exchange or other disposition of Trust Certificates. If information reports are required to be made, a U.S. Holder may be subject to U.S. backup withholding if it fails to provide its taxpayer identification number, or to establish that it is exempt from backup withholding. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS.

U.S. Holders should consult their own tax advisers regarding any reporting obligations they may have as a result of their acquisition, ownership or disposition of Trust Certificates, including requirements related to the holding of certain foreign financial assets or accounts. Failure to comply with applicable reporting obligations could result in the imposition of substantial penalties.

## ERISA CONSIDERATIONS

Trust Certificates are not eligible for investment by any employee benefit plan or other plan (including individual retirement accounts and Keogh plans) subject to the provisions of Part 4 of Subtitle B of Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), as well as any entity whose underlying assets are treated as “plan assets” by reason of such an employee benefit plan’s or plan’s investment in such entity (each of the foregoing, a “**Plan**”).

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in section 3(33) of ERISA), and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the prohibited transaction rules of Section 406 of ERISA or Section 4975 of the Code and may be eligible to invest in Trust Certificates if the acquisition, holding and disposition of the Trust Certificates (or any interest therein) (i) does not and will not constitute or result in a violation of any federal, state, local or non-U.S. laws or regulations that are substantially similar to Section 406 of ERISA or Section 4975 of the Code (“**Similar Law**”), and (ii) will not subject the Trustee or any transactions thereby to any such Similar Law as a result of the investment in the Trust by such plan.

For purposes of ERISA, if a Plan invests in an equity interest of an entity, the Plan’s assets include both the equity interest and an undivided interest in each of the entity’s underlying assets, unless an exception applies. An exception exists as to an entity if the aggregate ownership by Plans of the total value of each class of equity interest in the entity is less than 25% of the total value of such class, disregarding for purposes of such calculation any interests held by persons who have discretionary authority or control over the entity’s assets or who provide investment advice for a fee (direct or indirect) with respect to such assets, and any “affiliates” (as defined in 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA) of any such person. If the assets of the Trust were deemed to be “plan assets” of a Plan, the Trustee would be subject to certain fiduciary obligations under ERISA and certain transactions that the Trustee might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA or Section 4975 of the Code and might have to be rescinded. To avoid the application of Part 4 of Subtitle B of Title I of ERISA, Section 406 of ERISA and Section 4975 of the Code to the assets of the Trust, Trust Certificates (and any interests therein) are not eligible for investment (i) by Plans or (ii) by governmental, church or non-U.S. plans subject to Similar Law unless, under this subsection (ii), the acquisition, holding and disposition of the Trust Certificates (or any interest therein) does not and will not constitute or result in a violation of any Similar Law and will not subject the Trustee or any transactions thereby to any such Similar Law as a result of the investment in the Trust by such plan.

Each initial purchaser and each subsequent transferee of the Trust Certificates (or any interest therein) will be deemed to have represented, warranted and agreed that, during the period it holds the Trust Certificates or any interest therein, that (A) it is not, and is not acting on behalf of, (I) a Plan, and no part of the assets to be used by it to purchase or hold the Trust Certificates or any interest therein constitutes the assets of any such Plan, or (II) a governmental, church or non-U.S. plan or any entity whose underlying assets are deemed to include the assets of any such plan, unless, under clause (II), its acquisition, holding and disposition of the Trust Certificates (or any interest therein) would not constitute or result in a violation of any Similar Law and will not subject the Trustee or any transactions thereby to any such Similar Law as a result of the investment in the Trust by such plan, and (B) it will not sell or otherwise transfer any Trust Certificates or any interest therein to any person unless the same foregoing representations and warranties apply to that person.

Each holder of the Trust Certificates, and any person causing it to acquire any of the Trust Certificates, agrees to indemnify and hold harmless the Trustee, the Government, the Delegate, the Agents, each of the Dealers and their respective affiliates from any cost, damage or loss incurred by them as a result of it being or being deemed to be a Plan or any violation of any Similar Law.

This Base Prospectus is not directed to any particular prospective investor, nor does it address the needs of any particular prospective investor. None of the Trustee, Arrangers, Dealers, the Principal Paying Agent, nor any of its affiliates has undertaken to provide impartial investment advice, or to give advice in a fiduciary capacity, and none of these parties has or shall provide any advice or recommendation with respect to the management of any interest in any Trust Certificate or the advisability of acquiring, holding, disposing or exchanging of any such interest.

## SUBSCRIPTION AND SALE

*Words and expressions defined in the Conditions, “ERISA Considerations” and “Transfer Restrictions” shall have the same meanings in this section, “Subscription and Sale”.*

The Dealers have, in a dealer agreement (such dealer agreement as modified and/or supplemented and/or restated from time to time, the “**Dealer Agreement**”) dated 7 June 2021, agreed with the Trustee and the Government a basis upon which they or any of them may from time to time agree to purchase Trust Certificates. Any such agreement will extend to those matters stated under “*Terms and Conditions of the Trust Certificates*”. In the Dealer Agreement, each of the Trustee and the Government has agreed to reimburse the Dealers for certain of their expenses in connection with the issue of Trust Certificates under the Programme.

### **United States**

The Trust Certificates have not been and will not be registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Accordingly, the Trust Certificates are being offered, sold or delivered only outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S. Until 40 days after the completion of the distribution of all Trust Certificates of the Tranche of which such Trust Certificates are a part, an offer, delivery or sale of Trust Certificates within the United States or to, or for the account or benefit of, U.S. persons 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, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed that it has offered and sold the Trust Certificates and agrees that it will offer and sell the Trust Certificates, only in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act. Accordingly, neither it, its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Trust Certificates, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Terms used in this paragraph and not otherwise defined herein have the meanings given to them by Regulation S.

Each Dealer has represented, warranted, undertaken and agreed that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Trust Certificates in the United States.

Each Dealer may, through its respective U.S. registered broker dealer affiliates, arrange for the offer and resale of the Trust Certificates in the United States only to QIBs that are QPs in accordance with Rule 144A.

Each Dealer has represented, warranted, undertaken and agreed that it has offered and sold and will offer and sell the Trust Certificates in the United States only to persons whom it reasonably believes are QIBs and QPs who can represent that: (a) they are QIBs who are QPs within the meaning of Rule 144A; (b) they are not broker dealers who own and invest on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers; (c) they are not a participant-directed employee plan, such as a 401(k) plan; (d) they are acting for their own account, or the account of one or more QIBs each of which is a QP; (e) they are not formed for the purpose of investing in the Trust Certificates or the Trustee; (f) each account for which they are purchasing will hold and transfer at least U.S.\$250,000 in principal amount of Trust Certificates at any time; (g) they understand that the Trustee may receive a list of participants holding positions in its securities from one or more book entry depositories; and (h) they will provide notice of the transfer restrictions set forth in this Base Prospectus to any subsequent transferees.

In connection with the offer and resale of the Trust Certificates in the United States each Dealer has represented and agreed that it is a QIB who is also a QP.

In addition, until 40 days after the commencement of the offering, an offer or sale of Trust Certificates within the United States by a 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 Rule 144A under the Securities Act.

**The Trust Certificates (and any interests therein) may not be sold to or held by or on behalf of: (i) an employee benefit plan (as defined in Section 3(3) of ERISA) subject to the provisions of Part 4 of Subtitle B of Title I of ERISA; (ii) a plan as defined in and to which Section 4975 of the Code applies (including individual retirement**



accounts and Keogh plans); (iii) any entity whose underlying assets are treated as “plan assets” by reason of such an employee benefit plan’s or plan’s investment in such entity (each of the foregoing, a “Plan”); or (iv) any governmental plan (as defined in Section 3(32) of ERISA), church plan (as defined in Section 3(33) of ERISA), non-U.S. plan (as described in Section 4(b)(4) of ERISA), or entity whose underlying assets are treated as the assets of any such plan, unless, under this subsection (iv), its acquisition, holding and disposition of the Trust Certificates (or any interest therein) does not and will not constitute or result in a violation of any Similar Law and will not subject the Trustee or any transactions thereby to any such Similar Law as a result of the investment in the Trust by such plan, and it will not sell or otherwise transfer any Trust Certificates or any interest therein to any person unless the same foregoing representations and warranties apply to that person.

### **Public Offer Selling Restrictions under the Prospectus Regulation**

In relation to each Member State of the European Economic Area, 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 made and will not make an offer of Trust Certificates 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 Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Trust Certificates to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealer(s) nominated by the Trustee and the Government for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

**provided that** no such offer of Trust Certificates referred to above shall require the Trustee, the Government or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Trust Certificates to the public**” in relation to any Trust Certificates in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Trust Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Trust Certificates and the expression “**Prospectus Regulation**” for the purposes of this paragraph means Regulation (EU) 2017/1129.

### **United Kingdom**

#### *Public offer selling restrictions under the UK Prospectus Regulation*

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 made and will not make an offer of Trust Certificates 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 the United Kingdom except that it may make an offer of such Trust Certificates to the public in the United Kingdom:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and/or the Bank (if applicable) for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000 (“**FSMA**”),

**provided that**, no such offer of Trust Certificates referred to above shall require the Trustee, the Bank or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression “**an offer of Trust Certificates to the public**” in relation to any Trust Certificates means the communication in any form and by any means of sufficient information on the terms of the offer

and the Trust Certificates to be offered so as to enable an investor to decide to purchase or subscribe for Certificates and the expression “**UK Prospectus Regulation**” for the purposes of this paragraph means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

#### *Other regulatory provisions*

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) in relation to any Trust Certificates 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 Trust Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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 Trust Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;
- (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 Trust Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Government; 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 Trust Certificates in, from or otherwise involving the United Kingdom.

#### **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 Oman pursuant to Article 3 of the Capital Market Authority Law promulgated by Royal Decree № 80/98, will not be offered or sold as an offer of securities in Oman as contemplated by the Commercial Companies Law or Article 3 of Royal Decree № 80/98, nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Capital Market Authority of Oman (CMA Decision 3/2016); and
- (b) the Trust Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or to purchase the Trust Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Oman to any person in Oman other than by an entity duly licensed by the Capital Market Authority 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 Regulation of the Capital Markets Law (Decision № 1/2009, as amended).

#### **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 Trust Certificates.

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Trust Certificates pursuant to an offering should note that the offer of Trust Certificates is a private placement under the “Rules on the Offer of Securities and continuing Obligations” as issued by the Board of the Capital Market Authority (“**CMA**”) resolution number 3-123-2017 dated 27 December 2017 (as amended, the “**KSA Regulations**”), made through an authorised person licenced by the CMA, in each case, in accordance with of the KSA Regulations. The Trust Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “Sophisticated Investors” under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of, or otherwise permitted by, 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 Trust Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Trust Certificates shall not therefore constitute a “public offer”, an “exempt offer” or a “**Parallel Market Offer**” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under the KSA

Regulations. Any Saudi Investor who has acquired Trust Certificates pursuant to a private placement under the KSA Regulations may not offer or sell those Trust Certificates to any person unless the offer or sale is made in compliance with the restrictions on secondary market activity under 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 Trust Certificates, 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 at any time, directly or indirectly, any Trust Certificates 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 (including the Qatar Financial Centre); 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. This Base Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange.

### **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 no Trust Certificates will be offered marketed, and/or sold by it in Kuwait unless all necessary approvals from the KCMA pursuant to Law № 7 of 2010 and its executive bylaws, each as amended, together with the various resolutions, regulations, directives and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing, and sale of the Trust Certificates.

No private or public offering of the Trust Certificates is being made in the State of Kuwait, and no agreement relating to the sale of the Trust Certificates will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Trust Certificates in the State of Kuwait.

### **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 Trust Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates 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 Trust Certificates to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT) Module of the DFSA Rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

## Hong Kong

In relation to each Tranche of Trust Certificates issued by the Trustee, 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 Trust Certificates (except for Trust Certificates which are a “structured product” as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong (the “SFO”)) other than (i) to “professional investors” within the meaning of the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong 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, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Trust Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Trust Certificates 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.

## Singapore

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the Trust Certificates will be offered pursuant to exemptions 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 and that it will not offer or sell any Trust Certificates or cause the Trust Certificates to be made the subject of an invitation for subscription or purchase, 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 the Trust Certificates, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor pursuant to Section 274 of the SFA; (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Trust Certificates 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 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 transferable for 6 months after that corporation or that trust has acquired the Trust Certificates pursuant to an offer 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; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notification under Section 309B(1)(c) of the SFA—Unless otherwise stated in the applicable Final Terms, all Trust Certificates issued or to be issued under the Programme shall be ‘prescribed capital markets products’ (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **Switzerland**

Each Dealer has acknowledged that (i) the Trust Certificates may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland, (ii) neither this Base Prospectus nor any other offering or marketing material relating to the Trust Certificates constitutes a prospectus as such term is understood pursuant to articles 652a or article 1156 of the Swiss Federal Code of Obligations, and (iii) neither this Base Prospectus nor any other offering or marketing material relating to the Trust Certificates may be publicly distributed or otherwise made publicly available in Switzerland.

## **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 purchases, offers, sells or delivers Trust Certificates or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Trust Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, the Government and any other Dealer shall have any responsibility therefor.

None of the Trustee, the Government or any of the Dealers (i) makes any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of any Trust Certificates, or possession or distribution of this Base Prospectus, any other offering, material or any Final Terms, in any country or jurisdiction where action for that purpose is required; or (ii) represents that Trust Certificates 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.

# GENERAL INFORMATION

## Authorisation

The update of the Programme and the entry of the Trustee into the transaction contemplated by the Transaction Documents and the execution thereof has been duly authorised by resolutions of the Board of Directors of the Trustee dated 14 October 2020 and 5 May 2018 and a resolution passed at the extraordinary general meeting of the shareholders on 19 May 2017.

The Trustee and the Government have each obtained all necessary consents, approvals and authorisations in connection with the establishment and update of the Programme and will obtain all necessary consents, approvals and authorisations in connection with the issue of any Trust Certificates thereunder and the execution and performance of the Transaction Documents to which they are a party. The establishment and update of the Programme and the issue of any Trust Certificates thereunder have been or will be, respectively, duly authorised in accordance with the provisions of Royal Decree № 48/76, as amended.

## Listing of Trust Certificates

Application has been made to the FCA for the Trust Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to the Official List and to the London Stock Exchange for the Trust Certificates to be admitted to trading on the Market with effect from the Issue Date.

It is expected that each Tranche of the Trust Certificates which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Trust Certificate initially representing the Trust Certificates of such Tranche. The approval of the Programme in respect of the Trust Certificates is expected to be granted on or around 9 June 2021. The Programme provides that Trust Certificates 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 Trustee, the Government and the relevant Dealer(s). Unlisted Trust Certificates may be issued pursuant to the Programme. The Market is a UK regulated market for the purposes of UK MiFIR.

## No Significant Change

Except as disclosed under “*The Economy of Oman*”, “*External Sector*”, “*Monetary Policy and Financial System*”, “*Public Finance*”, “*Indebtedness*” and “*Balance of Payments*”, there has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources, and income and expenditure figures of the Government since 31 December 2019.

Except as disclosed under “*The Economy of Oman*”, “*External Sector*”, “*Monetary Policy and Financial System*”, “*Public Finance*”, “*Indebtedness*” and “*Balance of Payments*”, there has been no significant change in the financial position or financial performance of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since 31 December 2020.

## Auditors

The current auditors of the Trustee are EY. EY were appointed as auditors of the Trustee in the annual general meeting held on 9 May 2017. EY is regulated in the Sultanate of Oman by the Ministry of Commerce and Industry and Investment Promotion which has issued EY with a licence to practice as auditors. There is no professional institute of auditors in the Sultanate of Oman and, accordingly, EY is not a member of a professional body in the Sultanate of Oman. All of EY’s audit partners are members of the institutes from where they received their professional qualification. The Annual Financial Statements were audited by EY, as stated in their audit reports included herein (see “*Financial Statements of the Trustee*”). The registered office of EY is 3rd and 4th Floor Ernst & Young Building, Al Qurum, P.O. Box 1750, Ruwi 112, Sultanate of Oman.

## Litigation

Neither the Government nor the Trustee is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Government or the Trustee is aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Trustee and/or the financial position of the Government.

## Language of this Base Prospectus

The language of this 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.

## Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available in physical/electronic form for inspection at the specified office of the Principal Paying Agent (at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom):

- (a) the constitutional documents of the Trustee;
- (b) the legislative text for the annual budget of Oman for the current fiscal year;
- (c) the Master Trust Deed, the Agency Agreement, the Master Purchase Agreement, the Master Lease Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale and Substitution Undertaking and the forms of the Global Trust Certificate and the Trust Certificates in definitive form;
- (d) each Supplemental Trust Deed, Supplemental Purchase Agreement, Supplemental Lease Agreement and Declaration of Commingling of Assets in relation to Trust Certificates which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system;
- (e) this Base Prospectus; and
- (f) any future offering circulars, prospectuses, information memoranda, supplementary prospectus and supplements including Final Terms (save that a Final Terms relating to a Trust Certificate which is not listed on the Official List and neither admitted to trading on the Market nor offered in the United Kingdom in circumstances where a prospectus is required to be published under the Financial Services and Markets Act 2000 will only be available for inspection by a holder of such Trust Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of Trust Certificates and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

For the period of 12 months following the date of this Base Prospectus, the items in (a), (b) and (c) above, as well as the Master Trust Deed, will be available by electronic means at: <https://mof.gov.om/>. The Base Prospectus has been published and will be available by electronic means at: <http://www.londonstockexchange.com/exchange/news/marketnews/market-news-home.html>. The aforementioned internet sites do not form part of this Base Prospectus.

## Clearing Systems

Application has been made for the Trust Certificates to be 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 Trust Certificates allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Trustee may make an application for any Trust Certificates to be accepted for trading in book-entry form by DTC. Acceptance by DTC of such Trust Certificates and the CUSIP numbers for each Tranche of such Trust Certificates, together with the relevant ISIN and (if applicable) Common Code, will be specified in the applicable Final Terms. If the Trust Certificates 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 and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, NY 10041, USA.

## Third-Party Information

The Trustee and the Government confirm that where information in this Base Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Trustee or the Government is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

## **Dealers transacting with the Government**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in various financial advisory, investment banking and/or commercial banking transactions with, and may perform services for, the Government and/or the Ministry of Finance and/or their affiliates (including any other public sector instrumentality, as defined in the Conditions) in the ordinary course of business for which they have received, and for which they may in the future receive, fees and expenses. In particular, certain of the Dealers are lenders to the Government (and/or the Ministry of Finance and/or their affiliates (including any other public sector instrumentality)) and proceeds from the issue of the Trust Certificates may be used to repay such outstanding loan facilities. In connection with any offering under the Programme the Dealers may purchase and sell Trust Certificates in the open market.

In connection with the offering of the Trust Certificates, each Arranger and Dealer and/or its affiliate(s) may act as an investor for its own account and may take up Trust Certificates in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Trustee or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Trust Certificates being offered should be read as including any offering of the Trust Certificates to the Arrangers and Dealers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

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 Government and/or the Ministry of Finance and/or their respective affiliates (including any other public sector instrumentality). Certain of the Dealers or their affiliates that have a lending relationship with the Government and/or the Ministry of Finance and/or their respective affiliates (including any other public sector instrumentality) routinely hedge their credit exposure to the Government and/or the Ministry of Finance and/or their respective affiliates (including any other public sector instrumentality) 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 Trust Certificates. Any such short positions could adversely affect future trading prices of the Trust Certificates 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.

## **Website**

The website of the Government (acting through the Ministry of Finance) is [www.mof.gov.om](http://www.mof.gov.om). The website and any information on it are not part of, and are not incorporated by reference into, this Base Prospectus.

The Issuer does not have a website.



## **FINANCIAL STATEMENTS OF THE TRUSTEE**

Audited financial statements of the Trustee for the financial year ended 31 December 2020 (including the independent auditor's audit report in respect thereof).....F-2

Audited financial statements of the Trustee for the financial year ended 31 December 2019 (including the independent auditor's audit report in respect thereof).....F-32

**OMAN SOVEREIGN SUKUK SAOC**

**FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN SOVEREIGN SUKUK SAOC

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Oman Sovereign Sukuk SAOC (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
OMAN SOVEREIGN SUKUK SAOC (continued)**

**Report on the audit of the financial statements (continued)**

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Expected credit loss allowance on Due from Ministry of Finance</i></b></p> <p>At 31 December 2020 the Company reported gross dues from Ministry of Finance amounting to RO 2,228 million and RO 24.1 million of expected credit loss allowances.</p> <p>The expected credit loss allowance on Due from Ministry of Finance requires the application of judgement and use of subjective assumptions by management as described in notes 3.2, 4.1, 4.3 and 4.4 to the financial statements.</p> <p>An analysis of Due from Ministry of Finance and details of credit risk management procedures applied by the Company are set out in notes 5 and 11, respectively.</p> <p>We considered this as a key audit matter due to the inherently judgmental nature of the computation of ECL and its material impact on the financial statements of the Company.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> <li>• We evaluated appropriateness of management's assumptions and methods applied in assessing the expected credit loss allowance on Due from Ministry of Finance.</li> <li>• We checked the completeness and accuracy of data underlying the ECL calculation as of 31 December 2020.</li> </ul>

**Other information**

Other information consists of the information included in the Company's 2020 Board of Directors' Report other than the financial statements and our auditor's report thereon. Those charged with governance and management are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
OMAN SOVEREIGN SUKUK SAOC (continued)**

**Report on the audit of the financial statements (continued)**

***Responsibilities of those charged with governance for the financial statements***

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law, as amended and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
OMAN SOVEREIGN SUKUK SAOC (CONTINUED)**

**Report on the audit of the financial statements (continued)**

***Auditor's responsibilities for the audit of the financial statements (continued)***

- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law, as amended, and CMA of the Sultanate of Oman.

*Ernst & Young LLC*

Muscat  
2 June 2021



# OMAN SOVEREIGN SUKUK SAOC

## STATEMENT OF FINANCIAL POSITION

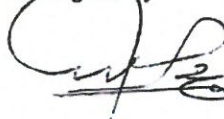
AT 31 DECEMBER 2020

	Notes	2020 RO	2019 RO
<b>ASSETS</b>			
<b>Non-current asset</b>			
Due from Ministry of Finance	5	<u>2,118,314,441</u>	<u>1,759,924,202</u>
<b>Current assets</b>			
Due from Ministry of Finance	5	<u>80,455,037</u>	<u>327,979,921</u>
Receivable from Ministry of Finance	6	<u>471,749</u>	<u>480,457</u>
Bank balance		<u>88,947</u>	<u>98,000</u>
		<u>81,015,733</u>	<u>328,558,378</u>
<b>TOTAL ASSETS</b>		<u><b>2,199,330,174</b></u>	<u><b>2,088,482,580</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	<u>500,000</u>	<u>500,000</u>
<b>Total equity</b>		<u><b>500,000</b></u>	<u><b>500,000</b></u>
<b>Liabilities</b>			
<b>Non-current liability</b>			
Due to Sukuk certificate holders	8	<u>2,118,314,441</u>	<u>1,759,924,202</u>
<b>Current liabilities</b>			
Due to Sukuk certificate holders	8	<u>80,455,037</u>	<u>327,979,921</u>
Payables and accruals		<u>60,696</u>	<u>78,457</u>
		<u>80,515,733</u>	<u>328,058,378</u>
<b>Total liabilities</b>		<u><b>2,198,830,174</b></u>	<u><b>2,087,982,580</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,199,330,174</b></u>	<u><b>2,088,482,580</b></u>

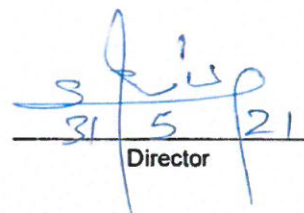
The financial statements are authorised for issue by the Board of Directors on

31/05/2021

and signed by:



Chairman



31/5/21  
Director

The attached notes 1 to 13 form part of these financial statements

## OMAN SOVEREIGN SUKUK SAOC

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RO	2019 RO
<b>Income</b>			
Income on due from Ministry of Finance	10	101,771,784	84,437,768
Supplementary charges	10	1,103,443	799,308
		<u>102,875,227</u>	<u>85,237,076</u>
<b>Expenses</b>			
Profit to Sukuk certificate holders		(101,771,784)	(84,437,768)
Expected credit loss on due from Ministry of Finance	4.4	(6,936,741)	864,588
Expected credit loss adjusted with due to Sukuk certificate holders	4.4	6,936,741	(864,588)
Amortisation of transaction costs	8	(974,811)	(720,889)
Operating expenses	9	(128,632)	(78,419)
		<u>(102,875,227)</u>	<u>(85,237,076)</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>-</u>	<u>-</u>

The attached notes 1 to 13 form part of these financial statements



# OMAN SOVEREIGN SUKUK SAOC

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Share capital</i> RO	<i>Total equity</i> RO
Balance at 31 December 2019	500,000	500,000
<b>Balance at 31 December 2020</b>	<b>500,000</b>	<b>500,000</b>

The attached notes 1 to 13 form part of these financial statements

# OMAN SOVEREIGN SUKUK SAOC

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RO	2019 RO
<b>OPERATING ACTIVITIES</b>		
Cash receipts from RO 200 million seven year Sukuk, net off certain expenses	-	204,542,118
Cash receipts from RO 100 Million five year Sukuk, net off certain expenses and including premium	-	101,533,969
Cash paid to Ministry of Finance with regard to RO 100 million Sukuk	-	(204,542,118)
Cash paid to Ministry of Finance with regard to RO 200 million Sukuk	-	(101,533,969)
Cash receipts from RO 200 million six year Sukuk, net off certain expenses	196,895,158	-
Cash receipts from RO 208.138 million five year Sukuk, net off certain expenses	206,853,731	-
Cash receipts from RO 25 million two year Sukuk, net off certain expenses	24,967,500	-
Cash paid to Ministry of Finance with regard to RO 200 million six year Sukuk	(196,895,158)	-
Cash paid to Ministry of Finance with regard to RO 208.138 million five year Sukuk	(206,853,731)	-
Cash paid to Ministry of Finance with regard to RO 25 million two year Sukuk	(24,967,500)	-
Cash paid to Directors for sitting fees	(9,053)	-
Cash received from Ministry of Finance to cover certain expenses	-	98,000
<b>Net cash flows (used in) / from operating activities</b>	<b>(9,053)</b>	<b>98,000</b>
<b>Net movement in cash and cash equivalents</b>	<b>(9,053)</b>	<b>98,000</b>
Cash and cash equivalents at the beginning of the year	98,000	-
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>88,947</b>	<b>98,000</b>

Proceeds and payments, other than those set out above, were settled directly from the bank account of the Ministry of Finance during the year ended 31 December 2020 and 31 December 2019. Other related details are set out in note 10 to the financial statements.

The attached notes 1 to 13 form part of these financial statements

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 1 Corporate Information

Oman Sovereign Sukuk SAOC (the "Company") is an Omani closed joint stock company incorporated in the Sultanate of Oman on 13 August 2015 under the Commercial Companies Law of the Sultanate of Oman, as amended with commercial registration number 1225873. The registered office of the Company is P.O. Box 506, Postal Code 100, Muscat, Sultanate of Oman.

The Company is a special purpose vehicle established for the purpose of issuing the Sukuk certificates and enter into transactions contemplated by the transaction documents of the respective Sukuk issue offerings on behalf of the Government of Sultanate of Oman (the "Government") represented by Ministry of Finance (the "Parent" or "Ministry of Finance").

The Company has issued eight Sukuks as of 31 December 2020. The details of these Sukuk issuance are as given below:

Amount	Maturity Date	Profit Rate	Details
RO 250 million	3 November 2020 (matured)	3.50%	Refer (a) below
USD 500 million	14 July 2020 (matured), 14 July 2021 and 14 July 2022	3.50%	Refer (b) below
USD 2 billion	1 June 2024	4.397%	Refer (c) below
USD 1.5 billion	31 October 2025	5.932%	Refer (d) below
RO 300 million	RO 100 million - 10 December 2024 RO 200 million - 10 December 2026	5.00% 5.50%	Refer (e) below
RO 200 million	21 September 2026	5.25%	Refer (f) below
RO 208.138 million	11 November 2025	5.75%	Refer (g) below
RO 25 million	24 November 2022	4.75%	Refer (h) below

- a. The first five year local Sovereign Sukuk issuance of RO 250 million due 3 November 2020 with expected profit rate of 3.50% per annum payable on half yearly basis, was subscribed in November 2015 and is listed at third market of the Muscat Securities Market. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Sharia Supervisory Board of Meethaq, the Islamic Window of bank muscat SAOG and the Shari'a Supervisory Committee of Standard Chartered Bank. This Sukuk was settled on due date.
- b. The second issuance of USD 500 million six year Sukuk Private Placement with repayments of principal in 3 equal installments at the end of the 48th month, 60th month and 72nd month from the issue date along with expected profit rate of 3.50% per annum payable on half yearly basis was subscribed by institutions outside Oman on 14 July 2016. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Shari'a Supervisory Committee of Standard Chartered Bank. The first installment has been settled on due date.
- c. The third issuance of USD 2 billion seven year Sukuk issuance due on 1 June 2024 with expected profit rate of 4.397% per annum payable on half yearly basis, was subscribed in June 2017 and is listed at Irish Stock Exchange. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Shari'a Supervisory Board of Alizz Islamic Bank SAOG, Shari'a Advisory Board of Citi Islamic Investment Bank E.C., Dar Al Shari'a – the Sharia Board advisors to Dubai Islamic Bank P.J.S.C, the Global Shari'a Supervisory Board of Gulf International Bank B.S.C., the Executive Shari'a Committee of HSBC Saudi Arabia Limited, Sh. Nizam Yaquby and Dr. Sh. Mohamed Elgari – Shari'a advisors to J.P. Morgan Securities plc and the Shari'a Supervisory Committee of Standard Chartered Bank.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 1 Corporate Information (continued)

- d. The fourth issuance of USD 1.50 billion seven year Sukuk issuance due on 31 October 2025 with expected profit rate of 5.932% per annum payable on half yearly basis, was subscribed in October 2018 and is listed at Irish Stock Exchange. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Sharia Supervisory Board of Alizz Islamic Bank SAOG, Citi Islamic Investment Bank E.C. – Sharia Advisory Board, Dar Al Shariah, the Shariah Board advisers to Dubai Islamic Bank P.J.S.C., the Global Shariah Supervisory Board of Gulf International Bank B.S.C., the Central Shariah Committee of HSBC Bank Middle East Limited, Sh. Nizam Yaquby and Dr. Sh. Mohamed Elgari, the Shariah advisors to J.P. Morgan Securities plc, the Fatwa and Sharia'a Supervisory Board of KFH Capital Investment Company K.S.C.C. and the Shari'a Supervisory Committee of Standard Chartered Bank.
- e. The fifth issuance of RO 300 million was represented by Series I amounting to RO 100 million and Series II amounting to RO 200 million. Series I is a five year Sukuk issuance due on 10 December 2024 with expected profit rate of 5% per annum payable on half yearly basis, was subscribed in December 2019 and is listed at third market of the Muscat Securities Market. Series II is a seven year Sukuk issuance due on 10 December 2026 with expected profit rate of 5.5% per annum payable on half yearly basis, was subscribed in December 2019 and is listed at third market of the Muscat Securities Market. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a Supervisory Board of Bank Nizwa S.A.O.G., the Sharia Supervisory Board of Alizz Islamic Bank S.A.O.G. and the Shari'a Supervisory Board of Meethaq.
- f. The sixth issuance of RO 200 million was represented by Series III amounting to RO 200 million. Series III is a six year Sukuk issuance due on 21 September 2026 with expected profit rate of 5.25% per annum payable on half yearly basis, was subscribed in September 2020 and is listed at third market of the Muscat Securities Market. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Sharia Supervisory Board Shari'a Supervisory Board of Meethaq.
- g. The seventh issuance of RO 208.138 million was represented by Series IV amounting to RO 208.138 million. Series IV is a five year Sukuk issuance due on 11 November 2025 with expected profit rate of 5.75% per annum payable on half yearly basis, was subscribed in November 2020 and is listed at third market of the Muscat Securities Market. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Sharia Supervisory Board Shari'a Supervisory Board of Maisarah Islamic Banking Services.
- h. The eighth issuance of RO 25 million was represented by Series V amounting to RO 25 million. Series V is a two year Sukuk issuance due on 24 November 2022 with expected profit rate of 4.75% per annum payable on half yearly basis, was subscribed in November 2020 and is listed at third market of the Muscat Securities Market. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Sharia Supervisory Board Shari'a Supervisory Board of Maisarah Islamic Banking Services.

The main terms of these Sukuk issuance process are as follows:

- The Company in its capacity as agent pursuant to a declaration of agency holds the Lease Assets (as set out below) as agent for and on behalf of the certificate holders.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 1 Corporate Information (continued)

- On the issue date, the Company used the proceeds of the issue of the certificates to purchase from the Government, pursuant to a purchase agreement, a co-ownership interest in the plot of land (the Land) located in Duqm with Commercial Plot Number 3 and as more particularly described in the extract provided by the Sultanate of Oman Ministry of Housing, Directorate General of Housing Al Wusta Region, Planning and Surveying Department, Reference Number 4-70-038-01-003, which comprise the Lease Assets. The co-ownership interest is specified in the Purchase Agreement and is in the same proportion as the aggregate outstanding face amount of the certificates to the value of the Land.

For Series I, the lease assets represent a 3.96 per cent undivided ownership interest in the Government's 81.67 per cent undivided ownership interest in the plot of logistics land located in Barka with Commercial Plot Number 3-07-001-01-001 and as more particularly described in the extract (appended to the Supplemental Purchase Agreement) provided by the Sultanate of Oman Ministry of Housing, Directorate General of Housing South Batinah Governorate, Planning and Survey Department.

For Series II, the lease assets represent a 7.97 per cent undivided ownership interest in the Government's 81.67 per cent undivided ownership interest in the plot of logistics land located in Barka with Commercial Plot Number 3-07-001-01-001 and as more particularly described in the extract (appended to the Supplemental Purchase Agreement) provided by the Sultanate of Oman Ministry of Housing, Directorate General of Housing South Batinah Governorate, Planning and Survey Department.

- On the issue date, the Company leased the lease assets to the Government pursuant to a lease agreement.
- The rental under the lease agreement in respect of each rental period equates to the aggregate of: (i) the periodic distribution amount for the corresponding period payable under the certificates; and (ii) the supplementary rental, which shall correspond to any service charge amounts.
- The Company pursuant to a servicing agency agreement appoints the Government as its servicing agent to provide certain services in respect of the lease assets.
- Upon occurrence of a termination event, or upon the scheduled maturity of the Certificates, the Company will be entitled to exercise a purchase undertaking granted by the Government in favour of the Company pursuant to which the Company will be entitled to require the Government to purchase the Lease Assets at a price equal to the aggregate of: (i) the aggregate outstanding face amount of certificates; (ii) all accrued and unpaid periodic distribution amounts (if any); and (iii) an amount equal to any outstanding Service Charge amounts in respect of which a payment of supplementary rent has not been paid.
- The Government may, at any time, substitute all or any part of the Lease Assets by exercising its right under a sale / substitution and transfer undertaking to require the Company to accept a transfer from the Government, of new Shari'a compliant assets in exchange for the Company transferring the substituted assets to the Government.
- Following any purchase of certificates by the Government in the open market or otherwise, the Government shall be entitled to exercise its rights under the sale / substitution and transfer undertaking to require the Company to cancel the relevant certificates so purchased in consideration of the transfer by the Company to the Government of a portion of the Lease Assets, the value of which is not greater than the aggregate face amount of the certificates so cancelled.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant requirements of the Commercial Companies Law, as amended and the Capital Market Authority of the Sultanate of Oman.

The financial statements are prepared under the historical cost convention.

The accounting records are maintained in Rial Omani ("RO") which is the functional and reporting currency for these financial statements. All financial information is presented in RO.

#### 2.2 New and amended standards and interpretations to IFRS relevant to the Company

For the year ended 31 December 2020, the Company has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2020.

- Amendments to IFRS 3: Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018

The above standards do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### 2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts
- Amendments to IFRS 16 Covid-19 Related Rental Concession
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

The amendments are not expected to have a significant impact on the Company's financial statements.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements by the Company are set out below:

#### 3.1 Financial instruments - initial recognition and subsequent measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of due from Ministry of Finance and receivables from Ministry of Finance that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

##### ***Subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in three categories:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss

The Company does not have any financial assets classified as fair value through other comprehensive income or fair value through profit or loss.

Financial liabilities are measured at amortised cost. The Company does not have any financial liabilities which are measured at fair value through profit or loss.

The Company does not have any derivative or trading portfolio.

#### 3.2 Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all debt financial assets not held at fair value through profit & loss. The Company has applied the standard's general approach and calculates ECLs based on 12 months or lifetime expected credit losses, based on the staging criteria applicable to the financial asset.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Impairment of financial assets (continued)

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Company considers a two-notch downgrade in the Moodys rating to be an indicator of significant increase in credit risk.

Based on the above process, the Company groups its loans into Stage 1, Stage 2 and Stage 3 as described below:

##### Stage 1

When financing are first recognised, the Company recognises an allowance based on 12 month ECLs. Stage 1 financing exposure also include facilities where the credit risk has improved and the financing exposure has been reclassified from Stage 2.

##### Stage 2

When a financing exposure has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 financing exposure also include facilities, where the credit risk has improved and the financing exposure has been reclassified from Stage 3.

##### Stage 3

Financing exposure considered credit-impaired. The Company records an allowance for the LTECLs.

At initial recognition of a financial asset, the Company recognises a loss allowance equal to 12-month expected credit losses. After initial recognition, the three stages under the proposals would be applied as follows:

##### Stage 1

Credit risk has not increased significantly since initial recognition – recognise 12-month expected credit losses

##### Stage 2

Credit risk has increased significantly since initial recognition – recognise lifetime expected losses (this is recognising a provision earlier than under IAS 39 Financial assets: Recognition and Measurement) with revenue being calculated based on the gross amount of the asset



# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Impairment of financial assets (continued)

##### Stage 3

There is objective evidence of impairment as at the reporting date to recognise lifetime expected losses, with revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The Company has used a regulatory LGD of 45% specified by the Basel guidelines.

Below are the abbreviations used in these financial statements:

Description	Abbreviation
12 months' expected credit loss	12mECL
lifetime expected credit loss	LTECLs
Probability of Default	PD
Exposure at Default	EAD
Loss Given Default	LGD

#### 3.3 Derecognition of financial assets and financial liabilities

##### (i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the right to receive cash flows from the asset has expired;
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3 Derecognition of financial assets and financial liabilities (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and reward of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

##### (ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income for the period.

#### 3.4 Provisions

Provisions are recognised when the Company has present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

#### 3.5 Rental income and return to certificateholders

The rental income and equivalent return to certificate holders is recognised on a time-apportioned basis over the lease term:

- Full year comprises of 365 days for RO 100 million, RO 200 million, RO 208.138 million and RO 25 million Sukuk issue for the calculation of rental income.
- Full year comprises of 360 days for USD 500 million, USD 2 billion and USD 1.50 billion Sukuk issue for the calculation of rental income.

#### 3.6 Income tax

Income tax expense comprises current and deferred tax. Taxation is provided in accordance with Omani fiscal regulations. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.6 Income tax (continued)

Deferred tax assets/liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

The carrying amount of deferred income tax assets / liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

In accordance with Article 72 of Royal Decree 59/2014 promulgating amendments to certain provisions of the Capital Market Law in Sultanate of Oman, however, inter alia, provides that a special purpose vehicle registered for the purpose of Sukuk issuance shall be exempted from all taxes and fees imposed by all units of the administrative apparatus of the state. In view of this, the Company should not be subject to corporate tax payments under the Income Tax Law of the Sultanate of Oman.

#### 3.7 Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### 3.8 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.8 Fair value of financial instruments (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole. The assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### 4 KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the reporting date and the resultant provisions. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty. Actual results may differ from management's estimates resulting in future changes in estimated liabilities and assets.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 4.1 *Expected credit loss allowance of due from Ministry of Finance and receivable from Ministry of Finance*

The Company's financial assets include due from Ministry of Finance and receivables from Ministry of Finance. The Company uses a provision matrix to calculate the expected credit loss allowance (ECL) for due from Ministry of Finance and receivables from Ministry of Finance. While the Company has no historical credit loss experience with the Ministry of Finance, the probability of default of the Ministry of Finance is calibrated with the Moodys rating for the Sultanate of Oman. Further, the Company has used a loss given default rate of 45% which is based on the Basel guidelines. The Company has applied the standard's general approach and calculates ECLs based on 12-month or lifetime expected credit losses, depending on the staging criteria of the respective financial asset. The amount of ECLs is sensitive to the following:

- The Moodys credit grading model, which assigns PDs to the individual grades;
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 4 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

#### 4.2 Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. As set out in note 3.6, Company is not considered to be subject to corporate tax payments under the Income Tax Law of Sultanate of Oman. Based on current interpretation of change in tax laws and as per discussion with Ministry of Finance, Oman, withholding tax (if applicable) on payments has not been considered on profit to sukuk certificateholders by the Company as eventually this will be recovered from Ministry of Finance, Oman. The Company has also achieved this understanding with Ministry of Legal Affairs in Oman that grossing up of payment for withholding tax on profit to Sukuk certificate holders in order to deposit the withholding tax with Ministry of Finance is not required since the same amount of withholding tax will be eventually recovered from Ministry of Finance as component of income due from Ministry of Finance.

#### 4.3 Due from Ministry of Finance / Due to Sukuk certificate holders

As per the terms and conditions of the Sukuk programs, the ability of the Company to make payments to the Sukuk certificate holders is dependent on the payment by the Ministry of Finance of amounts owed by it under the Lease Agreement and under the Purchase Undertaking. Failure by the Ministry of Finance (in whatever capacity) to make any payment required by it may result in insufficient funds being available to the Company in order to make payments to the Sukuk certificate holders. Consequently, if the Ministry of Finance fails to meet its obligations to the Company, the Sukuk certificate holders could receive less than the full amount of principal and profit on relevant due date from the Company.

As of reporting date, the Company has an expected credit loss balance amounting to RO 24.1 million (2019: RO 17.19 million) towards its dues from Ministry of Finance.

#### 4.4 Expected Credit Loss (ECL)

During 2020, the Company has charged expected credit loss amounting to RO 6.9 million towards its dues from Ministry of Finance (2019: reversed expected credit loss amounting to RO 0.9 million) in the statement of comprehensive income. The Company has recorded an equal adjustment to decrease its liability relating to due to Sukuk certificate holders by RO 6.9 million (2019: increase in liability relating to due to Sukuk certificate holders by RO 0.9 million) in the statement of comprehensive income. The increase in ECL is mainly because of downgrade of Oman's credit rating during 2020, supplement by an increase in overall due from Ministry of Finance, as a result of new Sukuks issued in 2020. Following is the breakup of ECL:

	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>
Non-current (note 5)	<b>24,046,886</b>	16,859,246
Current (note 5)	<b>81,794</b>	332,693
	<b><u>24,128,680</u></b>	<b><u>17,191,939</u></b>

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 5 DUE FROM MINISTRY OF FINANCE

This represents outstanding Sukuk amount including the expected rental receivable relating to the Company's share of assets of the Ijarah as of the reporting date, leased to Ministry of Finance set out as follows:

#### Non-current portion

	2020 RO	2019 RO
<i>USD 500 million six year private placement</i>		
- Payment to be received in 3 equal installments at the end of the 48th month, 60th month and 72nd month from the issue date	64,069,478	128,113,333
<i>USD 2 billion seven year Sukuk</i>		
- Payment to be received on 1 June 2024	768,680,000	768,680,000
<i>USD 1.50 billion seven year Sukuk</i>		
- Payment to be received on 31 October 2025	576,510,000	576,510,000
<i>RO 100 million five year Sukuk (inclusive of premium)</i>		
- Payment to be received on 10 December 2024	101,683,603	101,683,603
<i>RO 200 million seven year Sukuk (inclusive of premium)</i>		
- Payment to be received on 10 December 2026	204,836,991	204,836,991
<i>RO 200 million six year Sukuk</i>		
- Payment to be received on 21 September 2026	200,000,000	-
<i>RO 208.138 million five year Sukuk</i>		
- Payment to be received on 11 November 2025	206,968,312	-
<i>RO 25 million two year Sukuk</i>		
- Payment to be received on 24 November 2022	25,000,000	-
Less: non-current unamortised portion of transaction costs directly attributable towards issuance of Sukuk	<u>(5,387,057)</u>	<u>(3,040,479)</u>
	<u>2,142,361,327</u>	<u>1,776,783,448</u>
Less: expected credit loss allowance towards due from Ministry of Finance (notes 4.3, 4.4, 8 and 10)	<u>(24,046,886)</u>	<u>(16,859,246)</u>
	<u><u>2,118,314,441</u></u>	<u><u>1,759,924,202</u></u>

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 5 DUE FROM MINISTRY OF FINANCE (continued)

#### Current Portion

	2020 RO	2019 RO
<i>RO 250 million five year Sovereign Sukuk</i>		
- Payment to be received on 3 November 2020	-	250,000,000
<i>RO 250 million five year Sovereign Sukuk</i>		
- Rental of 3.5% per annum receivable on half yearly basis as of reporting date	-	1,390,411
<i>USD 500 million six year private placement</i>		
- 1/3 Payment to be received on 14 July 2021	<b>64,050,261</b>	64,056,667
<i>USD 500 million six year private placement</i>		
- Rental of 3.5% per annum receivable on half yearly basis as of reporting date	<b>2,129,884</b>	3,194,826
<i>USD 2 billion seven year Sukuk</i>		
- Rental of 4.397% per annum receivable on half yearly basis as of reporting date	<b>2,816,572</b>	2,816,572
<i>USD 1.50 billion seven year Sukuk</i>		
- Rental of 5.932% per annum receivable on half yearly basis as of reporting date	<b>5,889,754</b>	5,889,754
<i>RO 100 million five year Sukuk with premium</i>		
- Rental of 5.00% per annum receivable on half yearly basis as of reporting date	<b>301,370</b>	301,370
<i>RO 200 million five year Sukuk with premium</i>		
- Rental of 5.50% per annum receivable on half yearly basis as of reporting date	<b>663,014</b>	663,014
<i>RO 200 million six year Sukuk</i>		
- Rental of 5.25% per annum receivable on half yearly basis as on reporting date	<b>2,934,247</b>	-
<i>RO 208.138 million five year Sukuk</i>		
- Rental of 5.75% per annum receivable on half yearly basis as on reporting date	<b>1,630,230</b>	-
<i>RO 25 million two year Sukuk</i>		
- Rental of 4.75% per annum receivable on half yearly basis as on reporting date	<b>121,499</b>	-
	<b>80,536,831</b>	328,312,614
Less: expected credit loss allowance towards due from Ministry of Finance (notes 4.3, 4.4, 8 and 10)	<b>(81,794)</b>	(332,693)
	<b>80,455,037</b>	327,979,921

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 5 DUE FROM MINISTRY OF FINANCE (continued)

	2020 RO	2019 RO
<b>Transaction costs directly attributable towards issuance of Sukuk</b>		
As at 1 January		
- pertaining to RO 250 million five year Sovereign Sukuk	158,963	329,496
- pertaining to USD 500 million six year Private Placement	519,865	825,326
- pertaining to USD 2 billion seven year Sukuk	689,958	828,555
- pertaining to USD 1.50 billion seven year Sukuk	707,013	805,784
- pertaining to RO 100 million five year Sukuk	322,300	-
- pertaining to RO 200 million seven year Sukuk	642,380	-
	<u>3,040,479</u>	<u>2,789,161</u>
Transaction costs incurred during the year		
- pertaining to RO 100 million five year Sukuk	-	325,534
- pertaining to RO 200 million seven year Sukuk	-	646,673
- pertaining to RO 200 million six year Sukuk	3,127,399	-
- pertaining to RO 208.138 million five year Sukuk	138,040	-
- pertaining to RO 25 million two year Sukuk	55,950	-
	<u>3,321,389</u>	<u>972,207</u>
Less: Transaction costs amortised during the year		
- pertaining to RO 250 million five year Sovereign Sukuk	(158,963)	(170,533)
- pertaining to USD 500 million six year Private Placement	(299,830)	(305,461)
- pertaining to USD 2 billion seven year Sukuk	(144,791)	(138,597)
- pertaining to USD 1.50 billion seven year Sukuk	(104,733)	(98,771)
- pertaining to RO 100 million five year Sukuk	(59,077)	(3,234)
- pertaining to RO 200 million seven year Sukuk	(78,521)	(4,293)
- pertaining to RO 200 million six year Sukuk	(123,062)	-
- pertaining to RO 208.138 million five year Sukuk	(3,112)	-
- pertaining to RO 25 million two year Sukuk	(2,722)	-
	<u>(974,811)</u>	<u>(720,889)</u>
As at 31 December		
- pertaining to RO 250 million five year Sovereign Sukuk	-	158,963
- pertaining to USD 500 million six year Private Placement	220,035	519,865
- pertaining to USD 2 billion seven year Sukuk	545,167	689,958
- pertaining to USD 1.50 billion seven year Sukuk	602,280	707,013
- pertaining to RO 100 million five year Sukuk	263,223	322,300
- pertaining to RO 200 million seven year Sukuk	563,859	642,380
- pertaining to RO 200 million six year Sukuk	3,004,337	-
- pertaining to RO 208.138 million five year Sukuk	134,928	-
- pertaining to RO 25 million two year Sukuk	53,228	-
	<u>5,387,057</u>	<u>3,040,479</u>



# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 6 RECEIVABLES FROM MINISTRY OF FINANCE

Receivable from Ministry of Finance relates to share capital contribution and supplementary charges towards expenses accrued as of the reporting date and is offset by payables to Ministry of Finance. Please refer note 9 for details.

### 7 SHARE CAPITAL

	2019 RO	2019 RO
Authorised:		
100,000,000 ordinary shares of RO 1 each	100,000,000	100,000,000
Issued and unpaid (refer note 6 and 9):		
500,000 ordinary shares of RO 1 each	<u>500,000</u>	<u>500,000</u>

### 8 DUE TO SUKUK CERTIFICATE HOLDERS

This represents outstanding Sukuk amount including the expected accrued profit due to Sukuk certificate holders as of the reporting date as follows

#### Non-current portion

	2020 RO	2019 RO
<i>USD 500 million six year private placement</i>		
- Payment to be made in 3 equal installments at the end of the 48th month, 60th month and 72nd month from the issue date	64,069,478	128,113,333
<i>USD 2 billion seven year Sukuk</i>		
- Payment to be made on 1 June 2024	768,680,000	768,680,000
<i>USD 1.50 billion seven year Sukuk</i>		
- Payment to be made on 31 October 2025	576,510,000	576,510,000
<i>RO 100 million five year Sukuk (inclusive of premium)</i>		
- Payment to be made on 10 December 2024	101,683,603	101,683,603
<i>RO 200 million seven year Sukuk (inclusive of premium)</i>		
- Payment to be made on 10 December 2026	204,836,991	204,836,991
<i>RO 200 million six year Sukuk</i>		
- Payment to be made on 21 September 2026	200,000,000	-
<i>RO 208.138 million five year Sukuk</i>		
- Payment to be made on 11 November 2025	206,968,312	-
<i>RO 25 million two year Sukuk</i>		
- Payment to be made on 24 November 2022	25,000,000	-
Less: non-current unamortised portion of transaction costs directly attributable towards issuance of Sukuk	<u>(5,387,057)</u>	<u>(3,040,479)</u>
	2,142,361,327	1,776,783,448
Less: expected credit loss allowance towards due from Ministry of Finance (notes 4.3, 4.4, 8 and 10)	<u>(24,046,886)</u>	<u>(16,859,246)</u>
	<u>2,118,314,441</u>	<u>1,759,924,202</u>

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 8 DUE TO SUKUK CERTIFICATE HOLDERS (continued)

#### Current Portion

	2020 RO	2019 RO
<i>RO 250 million five year Sovereign Sukuk</i>		
- Payment to be made on 3 November 2020	-	250,000,000
<i>RO 250 million five year Sovereign Sukuk</i>		
- Rental of 3.5% per annum made on half yearly basis as of reporting date	-	1,390,411
<i>USD 500 million six year private placement</i>		
- 1/3 Payment to be made on 14 July 2021	<b>64,050,261</b>	64,056,667
<i>USD 500 million six year private placement</i>		
- Rental of 3.5% per annum made on half yearly basis as of reporting date	<b>2,129,884</b>	3,194,826
<i>USD 2 billion seven year Sukuk</i>		
- Rental of 4.397% per annum made on half yearly basis as of reporting date	<b>2,816,572</b>	2,816,572
<i>USD 1.50 billion seven year Sukuk</i>		
- Rental of 5.932% per annum made on half yearly basis as of reporting date	<b>5,889,754</b>	5,889,754
<i>RO 100 million five year Sukuk with premium</i>		
- Rental of 5.00% per annum made on half yearly basis as of reporting date	<b>301,370</b>	301,370
<i>RO 200 million five year Sukuk with premium</i>		
- Rental of 5.50% per annum made on half yearly basis as of reporting date	<b>663,014</b>	663,014
<i>RO 200 million six year Sukuk</i>		
- Rental of 5.25% per annum made on half yearly basis as of reporting date	<b>2,934,247</b>	-
<i>RO 208.138 million five year Sukuk</i>		
- Rental of 5.75% per annum made on half yearly basis as of reporting date	<b>1,630,230</b>	-
<i>RO 25 million two year Sukuk</i>		
- Rental of 4.75% per annum made on half yearly basis as of reporting date	<b>121,499</b>	-
	<b>80,536,831</b>	328,312,614
Less: expected credit loss allowance towards due from Ministry of Finance (notes 4.3, 4.4, 8 and 10)	<b>(81,794)</b>	(332,693)
	<b>80,455,037</b>	327,979,921

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 8 DUE TO SUKUK CERTIFICATE HOLDERS (continued)

	2020 RO	2019 RO
<b>Transaction costs directly attributable towards issuance of Sukuk</b>		
As at 1 January		
- pertaining to RO 250 million five year Sovereign Sukuk	158,963	329,496
- pertaining to USD 500 million six year Private Placement	519,865	825,326
- pertaining to USD 2 billion seven year Sukuk	689,958	828,555
- pertaining to USD 1.50 billion seven year Sukuk	707,013	805,784
- pertaining to RO 100 million five year Sukuk	322,300	-
- pertaining to RO 200 million seven year Sukuk	642,380	-
	<u>3,040,479</u>	<u>2,789,161</u>
Transaction costs incurred during the year		
- pertaining to RO 100 million five year Sukuk	-	325,534
- pertaining to RO 200 million seven year Sukuk	-	646,673
- pertaining to RO 200 million six year Sukuk	3,127,399	-
- pertaining to RO 208.138 million five year Sukuk	138,040	-
- pertaining to RO 25 million two year Sukuk	55,950	-
	<u>3,321,389</u>	<u>972,207</u>
Less: Transaction costs amortised during the year		
- pertaining to RO 250 million five year Sovereign Sukuk	(158,963)	(170,533)
- pertaining to USD 500 million six year Private Placement	(299,830)	(305,461)
- pertaining to USD 2 billion seven year Sukuk	(144,791)	(138,597)
- pertaining to USD 1.50 billion seven year Sukuk	(104,733)	(98,771)
- pertaining to RO 100 million five year Sukuk	(59,077)	(3,234)
- pertaining to RO 200 million seven year Sukuk	(78,521)	(4,293)
- pertaining to RO 200 million six year Sukuk	(123,062)	-
- pertaining to RO 208.138 million five year Sukuk	(3,112)	-
- pertaining to RO 25 million two year Sukuk	(2,722)	-
	<u>(974,811)</u>	<u>(720,889)</u>
As at 31 December		
- pertaining to RO 250 million five year Sovereign Sukuk	-	158,963
- pertaining to USD 500 million six year Private Placement	220,035	519,865
- pertaining to USD 2 billion seven year Sukuk	545,167	689,958
- pertaining to USD 1.50 billion seven year Sukuk	602,280	707,013
- pertaining to RO 100 million five year Sukuk	263,223	322,300
- pertaining to RO 200 million seven year Sukuk	563,859	642,380
- pertaining to RO 200 million six year Sukuk	3,004,337	-
- pertaining to RO 208.138 million five year Sukuk	134,928	-
- pertaining to RO 25 million two year Sukuk	53,228	-
	<u>5,387,057</u>	<u>3,040,479</u>

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 9 OPERATING EXPENSES

	2020 RO	2019 RO
Muscat Clearing & Depository fee	93,333	35,000
Annual listing fee	13,767	-
Audit fee	9,609	13,452
Director's sitting fee (note 10)	1,050	10,000
Other fees	10,873	19,967
	<u>128,632</u>	<u>78,419</u>

### 10 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions (other related parties).

Pricing policies and terms of these transactions are approved by the Board of Directors and are carried out at an arm's length basis.

The Government is not being considered for related party disclosures as permitted by IAS 24. The Company has applied the exemptions relating to transactions with Government entities.

The balances of major transactions with the Ministry of Finance included in the statement of financial position are as follows

	2020 RO	2019 RO
Due from Ministry of Finance:		
- RO 250 million five year Sukuk	-	251,390,411
- USD 500 million six year private placement	130,249,623	195,364,826
- USD 2 billion seven year Sukuk	771,496,572	771,496,572
- USD 1.50 billion seven year Sukuk	582,399,754	582,399,754
- RO 100 million five year Sukuk	101,984,973	101,984,973
- RO 200 million seven year Sukuk	205,500,005	205,500,005
- RO 200 million six year Sukuk	202,934,247	-
- RO 208.138 million five year Sukuk	208,598,542	-
- RO 25 million two year Sukuk	25,121,499	-
Less: Unamortised portion of transaction costs directly attributable towards issuance of Sukuk	<u>(5,387,057)</u>	<u>(3,040,479)</u>
	2,222,898,158	2,105,096,062
Receivable from Ministry of Finance	471,749	480,457
Fund transfer	88,947	98,000
Less: adjustment as a result of expected credit loss allowance towards due from Ministry of Finance (notes 4.3, 4.4, 5 and 8)	<u>(24,128,680)</u>	<u>(17,191,939)</u>
	<u>2,199,330,174</u>	<u>2,088,482,580</u>

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions with related parties included in the statement of comprehensive income are as follows:

	<i>1 January to 31 December 2020 RO</i>	<i>1 January to 31 December 2019 RO</i>
Income on due from Ministry of Finance	<b>101,771,784</b>	84,437,768
Supplementary charges	<b>1,103,443</b>	799,308
Directors' sitting fees (note 9)	<b>1,050</b>	10,000

During the year ended 31 December 2020, rentals of RO 85,285,214 (year ended 31 December 2019: RO 70,181,821) were paid directly by the Ministry of Finance to the Sukuk certificate holders and the remaining amount of RO 16,486,570 (year ended 31 December 2019: RO 14,255,947) is accrued as of reporting date.

All the operating expenses of the Company and issue related expenses are recovered or recoverable from the Ministry of Finance as supplementary charges.

### 11 FINANCIAL RISK MANAGEMENT

#### **Introduction**

The Company manages risks through a process of ongoing identification and monitoring of the risks it faces. The Company is exposed to currency risk, profit rate risk, credit risk and liquidity risk.

#### **Board of Directors**

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

#### **Currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Majority of the Company's transactions and balances are denominated in Omani Rial and US Dollars. As the US Dollar is pegged to the Rial Omani, the directors do not believe that the Company is exposed to any material currency risk.

#### **Profit rate risk**

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Company is exposed to profit rate risk on its profit bearing assets and liabilities (i.e. due from the Ministry of Finance and due to the Certificate holders). However, since the terms of both are identical there is no impact on the statement of comprehensive income of the Company.

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on due from the Ministry of Finance and receivable from the Ministry of Finance. However, as per the terms and conditions of the Sukuk programs, the ability of the Company to make payments to the Sukuk certificate holders is dependent on the payment by the Ministry of Finance of amounts owed by it under the Lease Agreement and under the Purchase Undertaking. Failure by the Ministry of Finance (in whatever capacity) to make any payment required by it may result in insufficient funds being available to the Company in order to make payments to the Sukuk certificate holders. Consequently, if the Ministry of Finance fails to meet its obligations to the Company, the Sukuk certificate holders could receive less than the full amount of principal and profit on relevant due date from the Company. Accordingly, the credit risk of the Company is limited.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 11 FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure that amounts due from the Ministry of Finance is identical with amounts due to Sukuk certificateholders and Company will have sufficient liquidity to meet its liabilities when due.

The following are the undiscounted contractual maturities of financial liabilities, including future profit payments:

#### At 31 December 2020

	<i>Total</i>	<i>Less than 1</i>	<i>1 to 5 years</i>
	<i>RO</i>	<i>year</i>	<i>RO</i>
		<i>RO</i>	<i>RO</i>
Due to Sukuk certificate holders	2,712,010,641	176,074,359	2,535,936,282
Accrued expenses	60,696	60,696	-
	<u>2,712,071,337</u>	<u>176,135,055</u>	<u>2,535,936,282</u>

#### At 31 December 2019

	<i>Total</i>	<i>Less than 1</i>	<i>1 to 5 years</i>	<i>More than 5</i>
	<i>RO</i>	<i>year</i>	<i>RO</i>	<i>years</i>
		<i>RO</i>	<i>RO</i>	<i>RO</i>
Due to Sukuk certificate holders	2,568,648,539	413,545,972	1,322,445,879	832,656,688
Accrued expenses	78,457	78,457	-	-
	<u>2,568,726,996</u>	<u>413,624,429</u>	<u>1,322,445,879</u>	<u>832,656,688</u>

### 12 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of Due from Ministry of Finance and Receivable from Ministry of Finance. Financial liabilities consist of Due to Sukuk certificate holders and accrued expenses.

The fair values of the financial assets and liabilities are not materially different from their carrying values.

The Company's listed Sukuk and non-listed Sukuk are level 1 and level 2 financial instruments, respectively. The fair value of the Company's Sukuk as on 31 December 2020 are as follows:

- RO 191.05 million (USD 496.88 million) for USD 500 million non-listed Sukuk.
- RO 768.39 million (USD 1.998 billion) for USD 2 billion Sukuk listed in Irish Stock Exchange, Ireland.
- RO 576.51 million (USD 1.50 billion) for USD 1.50 billion Sukuk listed in Irish Stock Exchange, Ireland.
- RO 100 million for RO 100 million Sukuk listed at Third market of the Muscat Securities Market, Sultanate of Oman.
- RO 200 million for RO 200 million Sukuk listed at Third market of the Muscat Securities Market, Sultanate of Oman.
- RO 200 million for RO 200 million Sukuk listed at Third market of the Muscat Securities Market, Sultanate of Oman.
- RO 208.138 million for RO 208.138 million Sukuk listed at Third market of the Muscat Securities Market, Sultanate of Oman.
- RO 25 million for RO 25 million Sukuk listed at Third market of the Muscat Securities Market, Sultanate of Oman.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

### 12 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 1 RO</i>	<i>Level 2 RO</i>	<i>Total RO</i>
<b>31 December 2020</b>			
Listed Sukuk	2,054,100,656	-	2,054,100,656
Non-listed Sukuk	-	127,362,161	127,362,161
	<u><b>2,054,100,656</b></u>	<u><b>127,362,161</b></u>	<u><b>2,181,462,817</b></u>
<b>31 December 2019</b>			
Listed Sukuk	1,895,994,419	-	1,895,994,419
Non-listed Sukuk	-	191,909,704	191,909,704
	<u><b>1,895,994,419</b></u>	<u><b>191,909,704</b></u>	<u><b>2,087,904,123</b></u>

### 13 IMPACT OF COVID-19

The World Health Organisation declared on 11 March 2020, the Novel Coronavirus (COVID-19) as a global pandemic. This event has caused widespread disruptions to global businesses, with a consequential negative impact on economic activity, whilst the COVID-19 vaccines distribution has started across the world.

The Company is closely monitoring the developing situation of the pandemic at country, regional and global level and will continue to evaluate and assess the effects of pandemic. The Company will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue its operations in the best and safest way possible.

The Company's management continues to deal with the risks posed by COVID19 in a proactive and responsible manner. Consequently, no impact on the Company's profitability, liquidity or any impairment of its assets is expected.

**OMAN SOVEREIGN SUKUK SAOC**

**FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN SOVEREIGN SUKUK SAOC

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Oman Sovereign Sukuk SAOC (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
OMAN SOVEREIGN SUKUK SAOC (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Expected credit loss allowance on Due from Ministry of Finance</b></p> <p>At 31 December 2019 the Company reported gross dues from Ministry of Finance amounting to RO 2,108 million and RO 17.19 million of expected credit loss allowances.</p> <p>The expected credit loss allowance on Due from Ministry of Finance requires the application of judgement and use of subjective assumptions by management as described in notes 3.2.b, 4.1 and 4.3 to the financial statements.</p> <p>An analysis of Due from Ministry of Finance and details of credit risk management procedures applied by the Company are set out in notes 5 and 10, respectively.</p> <p>We considered this as a key audit matter due to the inherently judgmental nature of the computation of ECL and its material impact on the financial statements of the Company.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> <li>• We evaluated appropriateness of management's assumptions and methods applied in assessing the expected credit loss allowance on Due from Ministry of Finance.</li> <li>• We checked the completeness and accuracy of data underlying the ECL calculation as of 31 December 2019.</li> </ul>

**Other information**

Other information consists of the information included in the Company's 2019 Board of Directors' Report other than the financial statements and our auditor's report thereon. Those charged with governance and management are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
OMAN SOVEREIGN SUKUK SAOC (continued)

Report on the audit of the financial statements (continued)

*Responsibilities of those charged with governance for the financial statements*

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law, as amended and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
OMAN SOVEREIGN SUKUK SAOC (CONTINUED)

Report on the audit of the financial statements (continued)

*Auditor's responsibilities for the audit of the financial statements (continued)*

- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law, as amended, and CMA of the Sultanate of Oman.

*Ernst & Young LLC*

Muscat  
16 June 2020

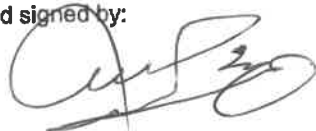


# OMAN SOVEREIGN SUKUK SAOC

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Notes	2019 RO	2018 RO
<b>ASSETS</b>			
<b>Non-current asset</b>			
Due from Ministry of Finance	5	1,759,924,202	1,766,550,238
<b>Current assets</b>			
Due from Ministry of Finance	5	327,979,921	13,255,637
Receivable from Ministry of Finance	6	480,457	560,817
Bank balance		98,000	-
		328,558,378	13,816,454
<b>TOTAL ASSETS</b>		<b>2,088,482,580</b>	<b>1,780,366,692</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	500,000	500,000
<b>TOTAL EQUITY</b>		<b>500,000</b>	<b>500,000</b>
<b>Liabilities</b>			
<b>Non-current liability</b>			
Due to Sukuk certificate holders	8	1,759,924,202	1,766,550,238
<b>Current liabilities</b>			
Due to Sukuk certificate holders	8	327,979,921	13,255,637
Payables and accruals		78,457	60,817
		328,058,378	13,316,454
<b>TOTAL LIABILITIES</b>		<b>2,087,982,580</b>	<b>1,779,866,692</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,088,482,580</b>	<b>1,780,366,692</b>

The financial statements are authorised for issue by the Board of Directors on \_\_\_\_\_  
and signed by:



Chairman




Director

The attached notes 1 to 11 form part of these financial statements

## OMAN SOVEREIGN SUKUK SAOC

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	<b>2019</b> <b>RO</b>	<b>2018</b> <b>RO</b>
<b>Income</b>			
Income on due from Ministry of Finance	9	<b>84,437,768</b>	55,164,564
Supplementary charges	9	<b>799,308</b>	737,639
		<b>85,237,076</b>	55,902,203
<b>Expenses</b>			
Profit to Sukuk certificate holders		<b>(84,437,768)</b>	(55,164,564)
Amortisation of transaction costs	8	<b>(720,889)</b>	(617,059)
Operating expense		<b>(78,419)</b>	(120,580)
		<b>(85,237,076)</b>	(55,902,203)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-</b>	<b>-</b>

Certain amounts relating to 2019 and 2018 have been netted off in the above table as their effect on the profit and total comprehensive income for the year 2019 and 2018 is nil and nil respectively. This adjustment is further described in note 4.3.

The attached notes 1 to 11 form part of these financial statements

## OMAN SOVEREIGN SUKUK SAOC

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Share capital</i> RO	<i>Total equity</i> RO
Balance at 31 December 2018	500,000	500,000
<b>Balance at 31 December 2019</b>	<b><u>500,000</u></b>	<b><u>500,000</u></b>

The attached notes 1 to 11 form part of these financial statements

# OMAN SOVEREIGN SUKUK SAOC

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RO	2018 RO
<b>OPERATING ACTIVITIES</b>		
Cash receipts from RO 200 million seven year Sukuk, net off certain expenses	<b>204,542,118</b>	-
Cash receipts from RO 100 Million five year Sukuk, net off certain expenses and including premium	<b>101,533,969</b>	575,933,490
Cash paid to Ministry of Finance with regard to RO 100 million Sukuk	<b>(204,542,118)</b>	-
Cash paid to Ministry of Finance with regard to RO 200 million Sukuk	<b>(101,533,969)</b>	-
Cash paid to Ministry of Finance with regard to USD 1.50 billion Sukuk	-	(575,933,490)
Cash received from Ministry of Finance to cover certain expenses	<b>98,000</b>	-
<b>Net cash from / (used in) operating activities</b>	<b>98,000</b>	-
<b>Net movement in cash and cash equivalents</b>	<b>98,000</b>	-
Cash and cash equivalents at the beginning of the year	-	-
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>98,000</b>	-

Proceeds and payments, other than those set out above, were settled directly from the bank account of the Ministry of Finance during the year ended 31 December 2019 / 31 December 2018. Other related details are set out in note 9 to the financial statements.

The attached notes 1 to 11 form part of these financial statements



# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 1 Corporate Information

Oman Sovereign Sukuk SAOC (the "Company") is an Omani closed joint stock company incorporated in the Sultanate of Oman on 13 August 2015 under the Commercial Companies Law of the Sultanate of Oman, as amended with commercial registration number 1225873. The registered office of the Company is P.O. Box 506, Postal Code 100, Muscat, Sultanate of Oman.

The Company is a special purpose vehicle established for the purpose of issuing the Sukuk certificates and enter into transactions contemplated by the transaction documents of the respective Sukuk issue offerings on behalf of the Government of Sultanate of Oman (the "Government") represented by Ministry of Finance (the "Parent" or "Ministry of Finance").

The Company has issued four Sukuks as of 31 December 2018. The details of these Sukuk issuance are as given below:

- a. The first five year local Sovereign Sukuk issuance of RO 250 million due 3 November 2020 with expected profit rate of 3.50% per annum payable on half yearly basis, was subscribed in November 2015 and is listed at third market of the Muscat Securities Market. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Sharia Supervisory Board of Meethaq, the Islamic Window of bank muscat SAOG and the Shari'a Supervisory Committee of Standard Chartered Bank.
- b. The second issuance of USD 500 million six year Sukuk Private Placement with repayments of principal in 3 equal installments at the end of the 48th month, 60th month and 72nd month from the issue date along with expected profit rate of 3.50% per annum payable on half yearly basis was subscribed by institutions outside Oman on 14 July 2016. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Shari'a Supervisory Committee of Standard Chartered Bank.
- c. The third issuance of USD 2 billion seven year Sukuk issuance due on 1 June 2024 with expected profit rate of 4.397% per annum payable on half yearly basis, was subscribed in June 2017 and is listed at Irish Stock Exchange. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Shari'a Supervisory Board of Alizz Islamic Bank SAOG, Shari'a Advisory Board of Citi Islamic Investment Bank E.C., Dar Al Shari'a – the Sharia Board advisors to Dubai Islamic Bank P.J.S.C, the Global Shari'a Supervisory Board of Gulf International Bank B.S.C., the Executive Shari'a Committee of HSBC Saudi Arabia Limited, Sh. Nizam Yaquby and Dr. Sh. Mohamed Elgari – Shari'a advisors to J.P. Morgan Securities plc and the Shari'a Supervisory Committee of Standard Chartered Bank.
- d. The fourth issuance of USD 1.50 billion seven year Sukuk issuance due on 31 October 2025 with expected profit rate of 5.932% per annum payable on half yearly basis, was subscribed in October 2018 and is listed at Irish Stock Exchange. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Sharia Supervisory Board of Alizz Islamic Bank SAOG, Citi Islamic Investment Bank E.C. – Sharia Advisory Board, Dar Al Shariah, the Shariah Board advisers to Dubai Islamic Bank P.J.S.C., the Global Shariah Supervisory Board of Gulf International Bank B.S.C., the Central Shariah Committee of HSBC Bank Middle East Limited, Sh. Nizam Yaquby and Dr. Sh. Mohamed Elgari, the Shariah advisors to J.P. Morgan Securities plc, the Fatwa and Sharia'a Supervisory Board of KFH Capital Investment Company K.S.C.C. and the Shari'a Supervisory Committee of Standard Chartered Bank.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 1 Corporate Information (continued)

- e. The fifth issuance of RO 300 million was represented by Series I amounting to RO 100 million and Series II amounting to RO 200 million. Series I is a five year Sukuk issuance due on 10 December 2024 with expected profit rate of 5% per annum payable on half yearly basis, was subscribed in December 2019 and is listed at third market of the Muscat Securities Market. Series II is a seven year Sukuk issuance due on 10 December 2026 with expected profit rate of 5.5% per annum payable on half yearly basis, was subscribed in December 2019 and is listed at third market of the Muscat Securities Market. The transaction structure is based on a sukuk-al-ijara, the certificates and the transaction documents pertaining to Sukuk were pronounced to be in compliance with the principles of Shari'a by Sharia Supervisory Board Shari'a Supervisory Board of Bank Nizwa S.A.O.G., the Sharia Supervisory Board of Alizz Islamic Bank S.A.O.G. and the Shari'a Supervisory Board of Meethaq.

The main terms of these Sukuk issuance process are as follows:

- The Company in its capacity as agent pursuant to a declaration of agency holds the Lease Assets (as set out below) as agent for and on behalf of the certificate holders.
- On the issue date, the Company used the proceeds of the issue of the certificates to purchase from the Government, pursuant to a purchase agreement, a co-ownership interest in the plot of land (the Land) located in Duqm with Commercial Plot Number 3 and as more particularly described in the extract provided by the Sultanate of Oman Ministry of Housing, Directorate General of Housing Al Wusta Region, Planning and Surveying Department, Reference Number 4-70-038-01-003, which comprise the Lease Assets. The co-ownership interest is specified in the Purchase Agreement and is in the same proportion as the aggregate outstanding face amount of the certificates to the value of the Land.

For Series I, the lease assets represent a 3.96 per cent undivided ownership interest in the Government's 81.67 per cent undivided ownership interest in the plot of logistics land located in Barka with Commercial Plot Number 3-07-001-01-001 and as more particularly described in the extract (appended to the Supplemental Purchase Agreement) provided by the Sultanate of Oman Ministry of Housing, Directorate General of Housing South Batinah Governorate, Planning and Survey Department.

For Series II, the lease assets represent a 7.97 per cent undivided ownership interest in the Government's 81.67 per cent undivided ownership interest in the plot of logistics land located in Barka with Commercial Plot Number 3-07-001-01-001 and as more particularly described in the extract (appended to the Supplemental Purchase Agreement) provided by the Sultanate of Oman Ministry of Housing, Directorate General of Housing South Batinah Governorate, Planning and Survey Department.

- On the issue date, the Company leased the lease assets to the Government pursuant to a lease agreement.
- The rental under the lease agreement in respect of each rental period equates to the aggregate of: (i) the periodic distribution amount for the corresponding period payable under the certificates; and (ii) the supplementary rental, which shall correspond to any service charge amounts.
- The Company pursuant to a servicing agency agreement appoints the Government as its servicing agent to provide certain services in respect of the lease assets.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 1 Corporate Information (continued)

- Upon occurrence of a termination event, or upon the scheduled maturity of the Certificates, the Company will be entitled to exercise a purchase undertaking granted by the Government in favour of the Company pursuant to which the Company will be entitled to require the Government to purchase the Lease Assets at a price equal to the aggregate of: (i) the aggregate outstanding face amount of certificates; (ii) all accrued and unpaid periodic distribution amounts (if any); and (iii) an amount equal to any outstanding Service Charge amounts in respect of which a payment of supplementary rent has not been paid.
- The Government may, at any time, substitute all or any part of the Lease Assets by exercising its right under a sale / substitution and transfer undertaking to require the Company to accept a transfer from the Government, of new Shari'a compliant assets in exchange for the Company transferring the substituted assets to the Government.
- Following any purchase of certificates by the Government in the open market or otherwise, the Government shall be entitled to exercise its rights under the sale / substitution and transfer undertaking to require the Company to cancel the relevant certificates so purchased in consideration of the transfer by the Company to the Government of a portion of the Lease Assets, the value of which is not greater than the aggregate face amount of the certificates so cancelled.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant requirements of the Commercial Companies Law, as amended and the Capital Market Authority of the Sultanate of Oman.

The financial statements are prepared under the historical cost convention.

The accounting records are maintained in Rial Omani ("RO") which is the functional and reporting currency for these financial statements. All financial information is presented in RO.

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law of 1974. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law became effective on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 2 BASIS OF PREPARATION

#### 2.2 New and amended standards and interpretations to IFRS relevant to the Company

For the year ended 31 December 2019, the Company has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2019.

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Annual IFRS Improvement Process
  - IFRS 3 Business Combinations - Previously held Interests in a joint operation
  - IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
  - IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
  - IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

The above standards do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### 2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Company but are not yet mandatory for the year ended 31 December 2019.

##### **Amendments to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements by the Company are set out below:

#### 3.1 Financial instruments - initial recognition and subsequent measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of due from Ministry of Finance and receivables from Ministry of Finance that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in three categories:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss

Financial liabilities are measured at amortised cost. The Company does not have any financial liabilities which are measured at fair value through profit or loss.

The Company does not have any derivative or trading portfolio.

#### 3.2 Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all debt financial assets not held at FVTPL. The Company has applied the standard's general approach and calculates ECLs based on 12 months or lifetime expected credit losses, based on the staging criteria applicable to the financial asset.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Impairment of financial assets (continued)

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Company considers a two-notch downgrade in the Moodys rating to be an indicator of significant increase in credit risk.

Based on the above process, the Company groups its loans into Stage 1, Stage 2 and Stage 3 as described below:

##### Stage 1

When financing are first recognised, the Company recognises an allowance based on 12 month ECLs. Stage 1 financing exposure also include facilities where the credit risk has improved and the financing exposure has been reclassified from Stage 2.

##### Stage 2

When a financing exposure has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 financing exposure also include facilities, where the credit risk has improved and the financing exposure has been reclassified from Stage 3.

##### Stage 3

Financing exposure considered credit-impaired. The Company records an allowance for the LTECLs.

At initial recognition of a financial asset, the Company recognises a loss allowance equal to 12-month expected credit losses. After initial recognition, the three stages under the proposals would be applied as follows:

##### Stage 1

Credit risk has not increased significantly since initial recognition – recognise 12-month expected credit losses

##### Stage 2

Credit risk has increased significantly since initial recognition – recognise lifetime expected losses (this is recognising a provision earlier than under IAS 39 Financial assets: Recognition and Measurement) with revenue being calculated based on the gross amount of the asset

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2.b Impairment of financial assets (continued)

##### Stage 3

There is objective evidence of impairment as at the reporting date to recognise lifetime expected losses, with revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The Company has used a regulatory LGD of 45% specified by the Basel guidelines.

#### 3.3 Derecognition of financial assets and financial liabilities

##### (i) *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the right to receive cash flows from the asset has expired;
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3 Derecognition of financial assets and financial liabilities (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and reward of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

##### (ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income for the period.

#### 3.4 Provisions

Provisions are recognised when the Company has present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

#### 3.5 Rental income and return to certificateholders

The rental income and equivalent return to certificate holders is recognised on a time-apportioned basis over the lease term:

- Full year comprises of 365 days for RO 250 million Sukuk issue for the calculation of rental income.
- Full year comprises of 360 days for USD 500 million, USD 2 billion, USD 1.50 billion and RO 300 million Sukuk issue for the calculation of rental income.

#### 3.6 Income tax

Income tax expense comprises current and deferred tax. Taxation is provided in accordance with Omani fiscal regulations. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.



# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.6 Income tax (continued)

Deferred tax assets/liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

The carrying amount of deferred income tax assets / liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

In accordance with Article 72 of Royal Decree 59/2014 promulgating amendments to certain provisions of the Capital Market Law in Sultanate of Oman, however, inter alia, provides that a special purpose vehicle registered for the purpose of Sukuk issuance shall be exempted from all taxes and fees imposed by all units of the administrative apparatus of the state. In view of this, the Company should not be subject to corporate tax payments under the Income Tax Law of the Sultanate of Oman.

#### 3.7 Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### 3.8 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.8 Fair value of financial instruments (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole. The assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### 4 KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the reporting date and the resultant provisions. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty. Actual results may differ from management's estimates resulting in future changes in estimated liabilities and assets.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 4.1 Expected credit loss allowance of due from Ministry of Finance and receivable from Ministry of Finance

The Company's financial assets include due from Ministry of Finance and receivables from Ministry of Finance. The Company uses a provision matrix to calculate the expected credit loss allowance (ECL) for due from Ministry of Finance and receivables from Ministry of Finance. While the Company has no historical credit loss experience with the Ministry of Finance, the probability of default of the Ministry of Finance is calibrated with the Moodys rating for the Sultanate of Oman. Further, the Company has used a loss given default rate of 45% which is based on the Basel guidelines. The Company has applied the standard's general approach and calculates ECLs based on 12-month or lifetime expected credit losses, depending on the staging criteria of the respective financial asset. The amount of ECLs is sensitive to the following:

- The Moodys credit grading model, which assigns PDs to the individual grades;
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The ECL on receivable from Ministry of Finance is not material to these financial statements.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 4 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

#### 4.2 Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. As set out in note 3.6, Company is not considered to be subject to corporate tax payments under the Income Tax Law of Sultanate of Oman. Based on current interpretation of change in tax laws and as per discussion with Ministry of Finance, Oman, withholding tax (if applicable) on payments has not been considered on profit to sukuk certificateholders by the Company as eventually this will be recovered from Ministry of Finance, Oman. The Company has also achieved this understanding with Ministry of Legal Affairs in Oman that grossing up of payment for withholding tax on profit to sukuk certificate holders in order to deposit the withholding tax with Ministry of Finance is not required since the same amount of withholding tax will be eventually recovered from Ministry of Finance as component of income due from Ministry of Finance.

#### 4.3 Due from Ministry of Finance / Due to Sukuk certificate holders

As per the terms and conditions of the Sukuk programs, the ability of the Company to make payments to the Sukuk certificate holders is dependent on the payment by the Ministry of Finance of amounts owed by it under the Lease Agreement and under the Purchase Undertaking. Failure by the Ministry of Finance (in whatever capacity) to make any payment required by it may result in insufficient funds being available to the Company in order to make payments to the Sukuk certificate holders. Consequently, if the Ministry of Finance fails to meet its obligations to the Company, the Sukuk certificate holders could receive less than the full amount of principal and profit on relevant due date from the Company. During 2019, the Company has reversed an expected credit loss amounting to RO 0.9 million towards its dues from Ministry of Finance (2018: created a charge of RO 14.5 million) in the statement of comprehensive income. The Company has recorded an equal adjustment to increase its liability relating to due to Sukuk certificate holders by RO 0.9 million (2018: decrease in liability relating to due to Sukuk certificate holders by RO 14.5 million) in the statement of comprehensive income. The effect of these adjustments for the years 2019 (RO 0.9 million) and 2018 (RO 14.5 million) have been netted off on the face of the statement of comprehensive income.

As of reporting date, the Company has an expected credit loss balance amounting to RO 17.19 million (2018: RO 18.06 million) towards its dues from Ministry of Finance.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 5 DUE FROM MINISTRY OF FINANCE

This represents outstanding Sukuk amount including the expected rental receivable relating to the Company's share of assets of the Ijarah as of the reporting date, leased to Ministry of Finance set out as follows:

#### Non-current portion

	2019 RO	2018 RO
<i>RO 250 million five year Sovereign Sukuk</i>		
- Payment to be received on 3 November 2020	-	250,000,000
<i>USD 500 million six year private placement</i>		
- Payment to be received in 3 equal installments at the end of the 48th month, 60th month and 72nd month from the issue date	128,113,333	192,170,000
<i>USD 2 billion seven year Sukuk</i>		
- Payment to be received on 1 June 2024	768,680,000	768,680,000
<i>USD 1.50 billion seven year Sukuk</i>		
- Payment to be received on 31 October 2025	576,510,000	576,510,000
<i>RO 100 million five year Sukuk (inclusive of premium)</i>	101,683,603	-
- Payment to be received on 10 December 2024		
<i>RO 200 million seven year Sukuk (inclusive of premium)</i>	204,836,991	-
- Payment to be received on 10 December 2026		
Less: non-current unamortised portion of transaction costs directly attributable towards issuance of Sukuk	<u>(3,040,479)</u>	<u>(2,789,161)</u>
	<u>1,776,783,448</u>	<u>1,784,570,839</u>
Less: expected credit loss allowance towards due from Ministry of Finance (notes 4.3, 8 and 9)	<u>(16,859,246)</u>	<u>(18,020,601)</u>
	<u>1,759,924,202</u>	<u>1,766,550,238</u>

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 5 DUE FROM MINISTRY OF FINANCE (continued)

#### Current Portion

	2019 RO	2018 RO
<i>RO 250 million five year Sovereign Sukuk</i>		
- Payment to be received on 3 November 2020	250,000,000	-
<i>RO 250 million five year Sovereign Sukuk</i>		
- Rental of 3.5% per annum receivable on half yearly basis as of reporting date	1,390,411	1,390,411
<i>USD 500 million six year private placement</i>		
- 1/3 Payment to be received on 14 July 2020	64,056,667	-
<i>USD 500 million six year private placement</i>		
- Rental of 3.5% per annum receivable on half yearly basis as of reporting date	3,194,826	3,194,826
<i>USD 2 billion seven year Sukuk</i>		
- Rental of 4.397% per annum receivable on half yearly basis as of reporting date	2,816,572	2,816,572
<i>USD 1.50 billion seven year Sukuk</i>		
- Rental of 5.932% per annum receivable on half yearly basis as of reporting date	5,889,754	5,889,754
<i>RO 100 million five year Sukuk with premium</i>		
- Rental of 5.00% per annum receivable on half yearly basis as of reporting date	301,370	-
<i>RO 200 million five year Sukuk with premium</i>		
- Rental of 5.50% per annum receivable on half yearly basis as of reporting date	663,014	-
	<u>328,312,614</u>	<u>13,291,563</u>
Less: expected credit loss allowance towards due from Ministry of Finance (notes 4.3, 8 and 9)	<u>(332,693)</u>	<u>(35,926)</u>
	<u>327,979,921</u>	<u>13,255,637</u>

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 5 DUE FROM MINISTRY OF FINANCE (continued)

	2019	2018
<b>Transaction costs directly attributable towards issuance of Sukuk</b>	<b>RO</b>	<b>RO</b>
As at 1 January		
- pertaining to RO 250 million five year Sovereign Sukuk	329,496	495,496
- pertaining to USD 500 million six year Private Placement	825,326	1,127,655
- pertaining to USD 2 billion seven year Sukuk	828,555	961,224
- pertaining to USD 1.50 billion seven year Sukuk	805,784	-
	<u>2,789,161</u>	<u>2,584,375</u>
Transaction costs incurred during the year		
- pertaining to RO 100 million five year Sukuk	325,534	-
- pertaining to RO 200 million seven year Sukuk	646,673	821,845
	<u>972,207</u>	<u>821,845</u>
Less: Transaction costs amortised during the year		
- pertaining to RO 250 million five year Sovereign Sukuk	(170,533)	(166,000)
- pertaining to USD 500 million six year Private Placement	(305,461)	(302,329)
- pertaining to USD 2 billion seven year Sukuk	(138,597)	(132,669)
- pertaining to USD 1.50 billion seven year Sukuk	(98,771)	(16,061)
- pertaining to RO 100 million five year Sukuk	(3,234)	-
- pertaining to RO 200 million seven year Sukuk	(4,293)	-
	<u>(720,889)</u>	<u>(617,059)</u>
As at 31 December		
- pertaining to RO 250 million five year Sovereign Sukuk	158,963	329,496
- pertaining to USD 500 million six year Private Placement	519,865	825,326
- pertaining to USD 2 billion seven year Sukuk	689,958	828,555
- pertaining to USD 1.50 billion seven year Sukuk	707,013	805,784
- pertaining to RO 100 million five year Sukuk	322,300	-
- pertaining to RO 200 million seven year Sukuk	642,380	-
	<u>3,040,479</u>	<u>2,789,161</u>

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 6 RECEIVABLES FROM MINISTRY OF FINANCE

Receivable from Ministry of Finance relates to share capital contribution and supplementary charges towards expenses accrued as of the reporting date and is offset by payables to Ministry of Finance. Please refer note 9 for details.

### 7 SHARE CAPITAL

	2019 RO	2018 RO
Authorised:		
100,000,000 ordinary shares	100,000,000	100,000,000
500,000 ordinary shares	<u>500,000</u>	<u>500,000</u>

Out of the above, RO 100,000 has been contributed in cash and the remaining balance is shown as a receivable from the Ministry of Finance (refer note 6 and 9).

### 8 DUE TO SUKUK CERTIFICATE HOLDERS

This represents outstanding Sukuk amount including the expected accrued profit due to Sukuk certificate holders as of the reporting date as follows

#### Non-current portion

	2019 RO	2018 RO
<i>RO 250 million five year Sovereign Sukuk</i>		
- Payment to be received on 3 November 2020	-	250,000,000
<i>USD 500 million six year private placement</i>		
- Payment to be received in 3 equal installments at the end of the 48th month, 60th month and 72nd month from the issue date	192,170,000	192,170,000
<i>USD 2 billion seven year Sukuk</i>		
- Payment to be received on 1 June 2024	768,680,000	768,680,000
<i>USD 1.50 billion seven year Sukuk</i>		
- Payment to be received on 31 October 2025	576,510,000	576,510,000
<i>RO 100 million five year Sukuk with premium</i>		
- Payment to be received on 10 December 2024	101,683,603	-
<i>RO 200 million seven year Sukuk with premium</i>		
- Payment to be received on 10 December 2026	204,836,991	-
Less: unamortised portion of transaction costs directly attributable towards issuance of Sukuk	<u>(3,040,479)</u>	<u>(2,789,161)</u>
	1,776,783,448	1,784,570,839
Less: adjustment as a result of expected credit loss allowance towards due from Ministry of Finance (notes 4.3, 8 and 9)	<u>(16,859,246)</u>	<u>(18,020,601)</u>
	<u>1,759,924,202</u>	<u>1,766,550,238</u>





## OMAN SOVEREIGN SUKUK SAOC

### NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

#### 8 DUE TO SUKUK CERTIFICATE HOLDERS (continued)

##### Current Portion

	2019 RO	2018 RO
<i>RO 250 million five year Sovereign Sukuk</i>		
- Payment to be received on 3 November 2020	<b>250,000,000</b>	-
<i>RO 250 million five year Sovereign Sukuk</i>		
- Rental of 3.5% per annum receivable on half yearly basis as of reporting date	<b>1,390,411</b>	1,390,411
<i>USD 500 million six year private placement</i>		
- 1/3 Payment to be received on 14 July 2020	<b>64,056,667</b>	-
<i>USD 500 million six year private placement</i>		
- Rental of 3.5% per annum receivable on half yearly basis as of reporting date	<b>3,194,826</b>	3,194,826
<i>USD 2 billion seven year Sukuk</i>		
- Rental of 4.397% per annum receivable on half yearly basis as of reporting date	<b>2,816,572</b>	2,816,572
<i>USD 1.50 billion seven year Sukuk</i>		
- Rental of 5.932% per annum receivable on half yearly basis as of reporting date	<b>5,889,754</b>	5,889,754
<i>RO 100 million five year Sukuk with premium</i>		
- Rental of 5.00% per annum receivable on half yearly basis as of reporting date	<b>301,370</b>	-
<i>RO 200 million five year Sukuk with premium</i>		
- Rental of 5.50% per annum receivable on half yearly basis as of reporting date	<b>663,014</b>	-
	<b>328,312,614</b>	13,291,563
Less: adjustment as a result of expected credit loss allowance towards due from Ministry of Finance (notes 4.3, 8 and 9)	<b>(332,693)</b>	(35,926)
	<b>327,979,921</b>	13,255,637

## OMAN SOVEREIGN SUKUK SAOC

### NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

#### 8 DUE TO SUKUK CERTIFICATE HOLDERS (continued)

	2019	2018
	RO	RO
<b>Transaction costs directly attributable towards issuance of Sukuk</b>		
As at 1 January		
- pertaining to RO 250 million five year Sovereign Sukuk	329,496	495,496
- pertaining to USD 500 million six year Private Placement	825,326	1,127,655
- pertaining to USD 2 billion seven year Sukuk	828,555	961,224
- pertaining to USD 1.50 billion seven year Sukuk	805,784	-
	<u>2,789,161</u>	<u>2,584,375</u>
Transaction costs incurred during the year		
- pertaining to RO 100 million five year Sukuk	325,534	-
- pertaining to RO 200 million seven year Sukuk	646,673	821,845
	<u>972,207</u>	<u>821,845</u>
Less: Transaction costs amortised during the year		
- pertaining to RO 250 million five year Sovereign Sukuk	(170,533)	(166,000)
- pertaining to USD 500 million six year Private Placement	(305,461)	(302,329)
- pertaining to USD 2 billion seven year Sukuk	(138,597)	(132,669)
- pertaining to USD 1.50 billion seven year Sukuk	(98,771)	(16,061)
- pertaining to RO 100 million five year Sukuk	(3,234)	-
- pertaining to RO 200 million seven year Sukuk	(4,293)	-
	<u>(720,889)</u>	<u>(617,059)</u>
As at 31 December		
- pertaining to RO 250 million five year Sovereign Sukuk	158,963	329,496
- pertaining to USD 500 million six year Private Placement	519,865	825,326
- pertaining to USD 2 billion seven year Sukuk	689,958	828,555
- pertaining to USD 1.50 billion seven year Sukuk	707,013	805,784
- pertaining to RO 100 million five year Sukuk	322,300	-
- pertaining to RO 200 million seven year Sukuk	642,380	-
	<u>3,040,479</u>	<u>2,789,161</u>

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions (other related parties).

Pricing policies and terms of these transactions are approved by the Board of Directors and are carried out at an arm's length basis.

The Government is not being considered for related party disclosures as permitted by IAS 24. The Company has applied the exemptions relating to transactions with Government entities.

The balances of major transactions with the Ministry of Finance included in the statement of financial position are as follows

	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>
<i>Due from Ministry of Finance</i>		
- RO 250 million five year Sukuk	<b>251,390,411</b>	251,390,411
- USD 500 million six year private placement	<b>195,364,826</b>	195,364,826
- USD 2 billion seven year Sukuk	<b>771,496,572</b>	771,496,572
- USD 1.50 billion seven year Sukuk	<b>582,399,754</b>	582,399,754
- RO 100M five year Sukuk	<b>101,984,973</b>	-
- RO 200M seven year Sukuk	<b>205,500,005</b>	-
Less: Unamortised portion of transaction costs directly attributable towards issuance of Sukuk	<b>(3,040,479)</b>	(2,789,161)
	<b>2,105,096,062</b>	1,797,862,402
Receivable from Ministry of Finance	<b>480,457</b>	560,817
Fund Transfer	<b>98,000</b>	-
Less: adjustment as a result of expected credit loss allowance towards due from Ministry of Finance (notes 4.3, 5 and 8)	<b>(17,191,939)</b>	(18,056,527)
	<b>2,088,482,580</b>	1,780,366,692

Transactions with Ministry of Finance included in the statement of comprehensive income are as follows:

	<b>1 January to 31 December 2019</b>	<b>1 January to 31 December 2018</b>
	<b>RO</b>	<b>RO</b>
Income on due from Ministry of Finance	<b>84,437,768</b>	55,164,564
Supplementary charges	<b>791,782</b>	737,639

During the year ended 31 December 2019, rentals of RO 83,473,384 (year ended 31 December 2018: RO 41,873,001) were paid directly by the Ministry of Finance to the Sukuk certificate holders and the remaining amount of RO 14,255,947 (year ended 31 December 2018: RO 13,291,563) is accrued as of reporting date.

All the operating expenses of the Company and issue related expenses are recovered or recoverable from the Ministry of Finance as supplementary charges.

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 10 FINANCIAL RISK MANAGEMENT

#### Introduction

The Company manages risks through a process of ongoing identification and monitoring of the risks it faces. The Company is exposed to currency risk, profit rate risk, credit risk and liquidity risk.

#### Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

#### Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Majority of the Company's transactions and balances are denominated in Omani Rial and US Dollars. As the US Dollar is pegged to the Rial Omani, the directors do not believe that the Company is exposed to any material currency risk.

#### Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Company is exposed to profit rate risk on its profit bearing assets and liabilities (i.e. due from the Ministry of Finance and due to the Certificate holders). However, since the terms of both are identical there is no impact on the statement of comprehensive income of the Company.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on due from the Ministry of Finance and receivable from the Ministry of Finance. However, as per the terms and conditions of the Sukuk programs, the ability of the Company to make payments to the Sukuk certificate holders is dependent on the payment by the Ministry of Finance of amounts owed by it under the Lease Agreement and under the Purchase Undertaking. Failure by the Ministry of Finance (in whatever capacity) to make any payment required by it may result in insufficient funds being available to the Company in order to make payments to the Sukuk certificate holders. Consequently, if the Ministry of Finance fails to meet its obligations to the Company, the Sukuk certificate holders could receive less than the full amount of principal and profit on relevant due date from the Company. Accordingly, the credit risk of the Company is limited.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure that amounts due from the Ministry of Finance is identical with amounts due to Sukuk certificateholders and Company will have sufficient liquidity to meet its liabilities when due.

The following are the undiscounted contractual maturities of financial liabilities, including future profit payments:

#### At 31 December 2019

	<i>Total</i>	<i>Less than 1</i>	<i>1 to 5 years</i>	<i>More than 5</i>
	<i>RO</i>	<i>year</i>	<i>RO</i>	<i>years</i>
		<i>RO</i>		<i>RO</i>
Due to Sukuk certificateholders	2,568,648,539	413,545,972	1,322,445,879	832,656,688
Accrued expenses	78,457	78,457	-	-
	<u>2,568,726,996</u>	<u>413,624,429</u>	<u>1,322,445,879</u>	<u>832,656,688</u>

# OMAN SOVEREIGN SUKUK SAOC

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

### 10 FINANCIAL RISK MANAGEMENT (continued)

At 31 December 2018

	<i>Total</i>	<i>Less than 1</i>	<i>1 to 5 years</i>	<i>More than 5</i>
	<i>RO</i>	<i>year</i>	<i>RO</i>	<i>years</i>
		<i>RO</i>		<i>RO</i>
Due to Sukuk certificateholders	2,249,982,369	83,421,498	736,178,065	1,430,382,806
Accrued expenses	60,817	60,817	-	-
	<u>2,250,043,186</u>	<u>83,482,315</u>	<u>736,178,065</u>	<u>1,430,382,806</u>

### 11.a FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of Due from Ministry of Finance and Receivable from Ministry of Finance. Financial liabilities consist of Due to Sukuk certificateholders and accrued expenses.

The fair values of the financial assets and liabilities are not materially different from their carrying values.

The Company's listed Sukuk and non-listed Sukuk are level 1 and level 2 financial instruments, respectively. The fair value of the Company's Sukuk as on 31 December 2019 are as follows:

- RO 250 million for RO 250 million Sukuk listed at Third market of the Muscat Securities Market, Sultanate of Oman.
- RO 191.05 million (USD 496.88 million) for USD 500 million non-listed Sukuk.
- RO 768.39 million (USD 1.998 billion) for USD 2 billion Sukuk listed in Irish Stock Exchange, Ireland.
- RO 576.51 million (USD 1.50 billion) for USD 1.50 billion Sukuk listed in Irish Stock Exchange, Ireland.
- RO 100 million for RO 100 million Sukuk listed at Third market of the Muscat Securities Market, Sultanate of Oman.
- RO 200 million for RO 200 million Sukuk listed at Third market of the Muscat Securities Market, Sultanate of Oman.

### 11.b SUBSEQUENT EVENTS

On 11 March 2020, the World Health Organization (WHO) made an assessment that the outbreak of a Coronavirus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped between January to March 2020 because of a number of political and economic factors. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the Oman Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the Oman economy at large, including extensions of deadlines, facilitating continuation of businesses through social-distancing and easing pressure on credit and liquidity in the Oman.

These conditions are considered subsequent, non-adjusting events, and impacted the economic and risk environment in which the Company operates.

The situation, including the government and public response to the challenges, continues to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depends on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these financial statements. Notwithstanding, these developments could impact our future financial results, cash flows and financial position.

**TRUSTEE**

**Oman Sovereign Sukuk S.A.O.C.** (registered in Oman with commercial registration number 1225873)

P.O. Box 506, Postal Code 100, Muscat  
Sultanate of Oman

**THE GOVERNMENT**

**The Government of the Sultanate of Oman** represented by **The Ministry of Finance**

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**PRINCIPAL PAYING  
AGENT, TRANSFER  
AGENT AND CALCULATION  
AGENT**

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**DELEGATE**

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Corporation p.l.c.**  
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United Arab Emirates

## LEGAL ADVISERS TO THE GOVERNMENT AND THE TRUSTEE

### *As to Omani law*

#### **Al Busaidy, Mansoor Jamal & Co.**

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