



Prospectus Rights Issue

Issue Opening Date: 7th July 2019

Issue Closing Date: 21st July 2019

www.soharinternational.com



Sohar
international

Sohar International Bank SAOG
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RIGHTS ISSUE PROSPECTUS

Rights Issue of [380,952,381] shares at a price of Baiza 107 per share
(with a share price of Baiza 105 per share plus expenses of Baiza 2 per share)

RIGHTS TRADING PERIOD

Opening Date: 3rd July 2019

Closing Date: 15th July 2019

ISSUE PERIOD

Opening Date: 7th July 2019

Closing Date: 21st July 2019

Financial Advisor and Issue Manager



Gulf Baader Capital Markets SAOC
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Collecting Bank

Sohar International Bank SAOG
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Legal Advisor

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This Prospectus has been prepared in accordance with the applicable guidelines stipulated by the Capital Market Authority of Sultanate of Oman. This is an unofficial English version of the original Prospectus prepared in Arabic and approved by Capital Market Authority vide its Administrative Decision no. 2019/52/K dated 17th June 2019. In the event of any conflict between the English and Arabic versions of the Prospectus, the Arabic version will prevail. The Capital Market Authority assumes no responsibility for the accuracy and adequacy of the statements and information contained in the Prospectus nor shall it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person.

IMPORTANT NOTICE TO INVESTORS

The aim of this Prospectus is to present material information that may assist investors to make an appropriate decision as to whether or not to invest in the offered securities.

This Prospectus includes all material information and data and does not contain any misleading information or omit any material information that would have positive or negative impact on an investors' decision as to whether or not to invest in the offered securities.

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

All investors should examine and carefully review this Prospectus in order to decide whether it would be appropriate to invest in the offered securities by taking into consideration the information contained in this Prospectus in the context. Investors should not consider this Prospectus a recommendation by the Issuer to subscribe the offered securities. Every investor shall bear the responsibility of obtaining independent professional advice on the investment in the offered securities and conduct independent evaluation of the information and assumptions contained herein using whatsoever analysis or projections he/she sees fit as to whether or not to invest in the offered securities.

It is noteworthy that no person has been authorized to make any statements or provide information on the Issuer or the offered securities other than the persons whose names are indicated herein. Where any person makes any statement or provides information, it should not be taken as authorized by the Issuer or the Issue Manager.

IMPORTANT POINTS

This Prospectus includes relevant information that is deemed important and neither includes any misleading information nor excludes any material information, the omission of which may materially influence any investor's decision pertaining to the investment in the offered securities through this Prospectus. All summaries of documents or provisions of documents provided in this Prospectus should not be relied upon as being comprehensive statements in respect of such documents and are only to be seen as being a summary of such documents.

All market investments carry various risks including market risks to varying degrees. The value of any security can fall as well as rise depending on the market conditions.

ADDITIONAL POINTS TO BE NOTED

References to documents

All summaries of documents referred to in this Prospectus may not provide a complete summary of such documents, and statements in this Prospectus relating to such documents may not be exact reproductions of such documents or parts thereof and should not be relied upon as being comprehensive statements in respect of such documents.

Scope of information

The information contained in this Prospectus is intended to provide a prospective Applicant with adequate information relating to the investment opportunity and background information on the Issue. However, this Prospectus does not necessarily contain all the information that a prospective Applicant may consider material. The content of this Prospectus is not to be construed as legal, business

or tax advice. Each prospective Applicant should consult his/her own lawyer, financial advisor or tax advisor for legal, financial or tax advice in relation to any purchase or proposed subscription to the Issue.

Investor due diligence

Prior to making any decision as to whether to subscribe to the Issue, prospective Applicants should read this Prospectus in its entirety. In making an investment decision, prospective Applicants must rely upon their own examination of the terms of this Prospectus and the risks involved in making an investment.

Restrictions on the distribution of this Prospectus

The distribution of this Prospectus and the Issue may, in certain jurisdictions, be restricted by law or may be subject to prior regulatory approvals. This Prospectus does not constitute an offer or an invitation by or on behalf of the Bank to any person in any jurisdiction outside Oman to purchase any of the Offer Shares where such offer or invitation would be unlawful. The Bank and the Issue Manager require persons into whose possession this Prospectus comes, to inform them of and observe, all such restrictions. Neither the Bank nor the Issue Manager accept any legal responsibility for any violation of any such restrictions on the sale, offer to sell or solicitation to subscribe for Offer Shares by any person, whether or not a prospective Applicant, in any jurisdiction outside Oman where such sale, offer to sell or solicitation to subscribe would be unlawful.

Restrictions on use of information contained in this Prospectus

The information contained in this Prospectus may

not be published, duplicated, copied or disclosed in whole or in part or otherwise used for any purpose other than in connection with the Issue, without the prior written approval of the Bank and the Issue Manager other than the purpose it has been issued for.

Disclaimer of implied warranties

Save and except as required under applicable law and regulations, no representation or warranty, express or implied, is given by the Bank or the Issue Manager, or any of their respective directors, managers, accountants, advisors, lawyers, employees or any other person as to the completeness of the contents of this Prospectus; or of any other document or information supplied at any time in connection with the Issue; or that any such document has remained unchanged after the issue thereof.

FORWARD-LOOKING STATEMENTS

This Prospectus may contain certain “forward-looking statements”. These forward-looking statements generally can be identified by the use of forward-looking terminology, including terms such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “goal”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue”, their negative, or other words or phrases of similar import. Similarly, statements that describe the Bank’s strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual outcomes, including among other things, the Bank’s result of operations, financial condition, cash flows, liquidity, financial projections and growth to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from the Bank’s expectations include but are not limited to:

- inability to estimate future performance;
- inability of the Bank to meet its debt service obligations;

- inability of the Bank to meet its payment obligations;
- certain financing and/or operational and maintenance risks;
- access to adequate insurance to cover all potential losses;
- change in monetary and/or interest policies of Oman, local and/or international inflation, local and/or international interest rates;
- fluctuations in foreign exchange rates, equity prices or other rates or prices;
- the performance of the financial markets in Oman;
- general political, economic and business conditions in Oman which may have an impact on the Bank’s business activities;
- changes in laws and/or regulation and/or conditions that may have a bearing on the position of the Bank’s clients, and/or suppliers, or the banking sector in Oman; and
- increased competition in the banking sector in Oman changes in the economic and/or financial conditions of the Bank’s clients, suppliers and the banking sector.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could be materially different from those that have been estimated. Neither the Bank nor the Issue Manager or any of their respective affiliates have any obligation to update or otherwise revise any statements in this Prospectus to reflect circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition or differ in actuality.

The above list is not exhaustive and for a further discussion of factors that could cause actual results to differ, see the Chapter on Risk Factors of this Prospectus. The Bank will adhere to the disclosure rules and regulations issued by the CMA, which includes making timely disclosure regarding the

Bank’s results of operation. The Bank advises investors to track the information or announcements made by it through the MSM website at www.msm.gov.om.

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Unless stated otherwise, the financial data in this Prospectus is derived from the Bank’s audited financial statements or its unaudited interim financial statements, in each case prepared in accordance with IFRS. Copies of the financial statements are available on MSM website or on the Bank’s website. The Bank’s financial year commences on 1st January and ends on 31st December. In this Prospectus, any discrepancy in any table between the total and the sum of the relevant amounts listed is due to rounding.

Currency of Presentation

In this Prospectus, all references to “RO” and/or “Omani Rials” are to the legal currency of Oman.

Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Prospectus has been obtained from third-party industry publications and/or websites. Although it is believed that industry data used in this Prospectus is reliable, it has not been independently verified and therefore its accuracy and completeness is not guaranteed and its reliability cannot be assured. Similarly, internal company reports, while believed to be reliable, have not been verified by any independent sources. The extent to which the market and industry data used in this Prospectus is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

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CHAPTER 1: ABBREVIATIONS AND DEFINITIONS

Additional Shares	Additional Shares mean additional Offer Shares applied for by a Shareholder in addition to such Shareholder's rights entitlement.
Allotment Date	The date on which CMA approves the allotment of Offer Shares to successful Applicants.
Applicant	Shareholders who are eligible as at the Record Date for subscription to the Rights Issue or a person who has purchased a rights entitlement through the MSM and who submits their completed Application Form to the Collecting Bank on or before the issue closing date.
Application Form	The application form required to be completed by an Applicant for subscribing to the issue.
Articles	Articles of Association of the Bank as registered with MOCI and CMA, as may be amended from time to time in accordance with the provisions as contained therein.
Baiza	One thousandth of Omani Rial (1000 Baizas = 1 Omani Rial)
Banking Law	The Banking Law of Oman promulgated by Royal Decree 114/2000, as amended.
Board/Board of Directors	The Bank's Board of Directors elected in accordance with the Articles and the CCL.
Business Day	A day, other than a Friday, Saturday or a public holiday, on which banks and the MSM are open for general business in Muscat, Oman.
CBO	Central Bank Oman
CCL	Commercial Companies Law of Oman promulgated by Royal Decree 18/2019 and the amendments thereto
CMA	Capital Market Authority of Oman
Code	The Corporate Governance Code for public listed companies issued vide CMA Circular No. E/4/2015 on 22/7/2015.
Director	A member of the Board of Directors of the Bank.
Financial Advisor and Issue Manager	Gulf Baader Capital Markets SAOC
Financial Year	The financial year of the Bank commencing from 1 st January and ending on 31 st December or as may be amended by the Shareholders in accordance with the Articles.

Government	Government of Oman
Issue/Rights Issue	The rights issue of the Shares made under this Prospectus.
Issuer/Bank	Sohar International Bank SAOG
Laws of Oman	The laws of Oman in the form of Royal Decrees, Ministerial Decisions, CBO regulations, CMA regulations etc. as the same may have been, or may from time to time be enacted, amended or re-enacted or issued.
MCDC	Muscat Clearing and Depository Company SAOC
MOCI	Ministry of Commerce and Industry of Oman
MSM	Muscat Securities Market of Oman
Offer Shares	The Shares that are the subject of the Rights Issue.
Oman	Sultanate of Oman
Omani Rial/RO	The lawful currency of Oman. Each Omani Rial is equivalent to 1,000 Baizas.
Prospectus	Means this Prospectus, as approved by the CMA.
Record Date	The date as on which the Shareholders whose names are registered in the MCDC records will be eligible to subscribe to the Rights Issue.
Shares	The ordinary shares of nominal value of Baiza 100 of the Bank.
Shareholders	The shareholders of the Bank.
SME	Small and medium enterprises
Subscription Price/Issue Price	The subscription price per Offer Share, payable by an Applicant, as stated in this Prospectus.

CHAPTER 2: SUMMARY OF THE ISSUE

Issuer	Sohar International Bank SAOG
Commercial Registration No.	1014333 established on 4 th March 2007
Principal place of business	P.O. Box 44, P.C. 114, Hai Al Mina, Oman
Bank's duration	Unlimited
Authorized Share Capital	RO 400,000,000 divided into 4,000,000,000 shares of Baiza 100 each
Issued & Paid-up Capital (pre-issue)	RO 198,264,639 divided into 1,982,646,391 shares of Baiza 100 each
Issued & Paid up Capital (post-issue)	RO 238,264,639 and 2,363,598,772 shares (assuming full subscription)
Issue size	380,952,381 Shares offered at Baiza [107] per share, aggregating to RO 40 million
Issue Price	Baiza 107 per Offer Share, consisting of issue price 105 plus Baiza 2 towards issue expenses, payable in full on submission of Application Form.
Purpose of the issue	The purpose of the Rights Issue is to increase the Tier 1 capital of the Bank by increasing its paid-up capital, so as to enable its business growth and capital adequacy compliance.
Issue period	Opening Date: 7 th July 2019 Closing Date: 21 st July 2019
Rights trading period	Opening Date: 3 rd July 2019 Closing Date: 15 th July 2019
Rights Entitlement	Every shareholder as on the Record Date is entitled to about 19.2 Offer Shares for every 100 shares held as on the Record Date i.e. 1 Offer Share against about every 5.2 shares held on Record Date, duly rounded off.

Eligibility for Subscription	<p>Subscription for the Rights Issue is open to the Shareholders whose names appear in the Bank's shareholder register with the MCDC as on the Record Date. Persons who purchase the rights on the MSM within the trading period of the Rights Issue are also eligible to subscribe for the Offer Shares before the Rights Issue closes.</p> <p>The 'rights' representing ownership rights of Shareholders to subscribe to the Rights Issue may be traded on the MSM during the period prescribed for that purpose. A Shareholder has the option to either subscribe to the Rights Issue or sell the 'rights' entitlement on the MSM. The eligibility to subscribe for Offer Shares shall lapse in case the Shareholder neither exercises his/her right of subscription to the Rights Issue nor sells its 'rights' on the MSM during the prescribed period.</p>
Application for Additional Shares	<p>Shareholders as on the Record Date may apply for Additional Shares and shall fill in the required details in the Application Form and submit it to Collecting Bank along with requisite subscription amount.</p> <p>A Shareholder who does not subscribe to his/her full rights entitlement or sells his/her rights entitlement (either in part or in full) is not eligible to apply for Additional Shares.</p> <p>A non-shareholder who has bought rights entitlement is not eligible to apply for Additional Shares.</p> <p>The application and allotment of Additional Shares shall be subject to the terms and conditions stipulated in Chapter 14.</p>
Permissible Level of Foreign Shareholding	It is permissible for non-Omanis to own up to 70% of the share capital of the Bank in accordance with the Articles of Association. GCC nationals shall be treated on par with Omani nationals in respect of ownership of and trading in shares and establishment of companies in Oman pursuant to Ministerial Decision 205/2007.
Record date	26 th June 2019
Start of trading of rights entitlement	3 rd July 2019
End of trading of rights entitlement	15 th July 2019
Subscription opening date	7 th July 2019
Subscription closing date	21 st July 2019

Allotment	<p>The Offer Shares shall be allotted against valid Application Forms, subject to the provisions of Chapter 14.</p> <p>The Offer Shares shall be allotted and refunds will be made (if required) within 15 days from the subscription closing date, after obtaining CMA approval for allotment. The Applicant, after the announcement of the allotment, shall ensure that the allotted shares are appearing in its account with MCDC.</p>
Refund of application money	Refund of application money, if any, shall be made to the Applicants, within 15 days of the closure of the Rights Issue.
Listing	Since the shares of the Bank are already listed on the MSM, the Offer Shares shall also be listed on the MSM.
Approvals for the Issue	<ul style="list-style-type: none"> ● Board approval vide its resolution at its meeting on 19th November 2018 ● CBO approval vide its letter no. BDD/IBS/BS/2019/2400 dated 23rd April 2019. ● CMA approval vide its Administrative Decision 2019/52/K dated 17th June 2019
Financial Advisor & Issue Manager	Gulf Baader Capital Markets SAOC P.O. Box 974, P.C. 112, Ruwi, Oman Tel: +968 22350700 Fax: +968 22350745 Email: cfd@gbcmoman.net
Legal Advisor to the Issue	Nasser Al Habsi & Saif Al Mamari Law Firm P.O. Box 4, P.C. 102, Al Qurum, Oman Tel: +968 249 50700, Fax: +968 246 49044 Email: r.byrne@aglaw.com, j.shaw@aglaw.com
Statutory Auditor	Ernst & Young LLC P.O. Box 1750, P.C. 112, Ruwi, Oman Tel: +968 24559559, Fax: +968 24566043 Email: Nitin.Hundia@om.ey.com
Collecting Bank	Sohar International Bank SAOG P.O. Box 44, P.C. 114 Hai Al Mina, Oman Tel: +968 24730000, Fax: +968 24730010 Email: assetmanagement@soharinternational.com

CHAPTER 3: USE OF PROCEEDS AND ISSUE EXPENSES

Use of Proceeds

The purpose of the Rights Issue is to increase the Tier I capital of the Bank by increasing its paid-up capital, so as to enable its business growth and capital adequacy compliance.

Estimated issue expenses

The issue expenses of the Rights Issue are estimated at RO 76,000 which is equal to approximately 0.19% of the total gross proceeds of the Rights Issue, assuming full subscription. The issue expenses of the Rights Issue will be partly met from the amounts collected from Applicants at 2 Baiza per Offer Share and the remainder will be borne by the Bank. Any surplus of the collection towards Issue Expenses over the actual expenses incurred will be retained by the Bank and credited to its legal reserve or a special reserve to be established pursuant to Article 126 of the CCL.

The estimated issue expenses under various heads is given in the following table:

Particulars	Amount (RO)*
Financial Advisor and Issue Manager fees	20,000
Legal Advisor's fees	6,000
CMA fees	20,000
Marketing, Advertising, Printing, Postage & Publicity	20,000
Other expenses	10,000
Total estimated issue expenses	76,000

*These are estimates and may change as per actuals.

CHAPTER 4: ISSUER'S OBJECTIVES AND APPROVALS

Overview

The Bank was registered as Bank Sohar SAOG on the Commercial Register, maintained by the MOCI pursuant to the Commercial Register Law (Royal Decree 3/74), in March 2007 and received its commercial banking license from CBO in March 2007. As a full-fledged commercial bank, it is active in all banking segments including retail banking, corporate banking, investment banking and Islamic banking in Oman. In December 2018, the Bank changed its name from Bank Sohar SAOG to Sohar International Bank SAOG.

In addition to being regulated by CBO, as a public joint stock company whose shares are listed and traded on MSM, the Bank is also regulated by CMA. Apart from this, the Bank's business operations are subject to compliance with the Bank's own policies and procedures and the laws and regulations of Oman.

Objects of the Bank

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

In accordance with the applicable laws and amendments thereof in Oman, especially banking authorized activities and restrictions as defined by the regulations and laws of CBO and provisions of the Banking Law, its amendments or alternation thereafter, the objects of the Bank shall be as follows:

- (1) To carry on the business of banking in all its fields, and to transact and to do all matters and things incidental thereto, or which may, at any time hereafter at any place, where the Bank shall carry on business, be usual in connection with the business of banking or dealing in money or securities for money.
- (2) To advance and lend money on real, personal and mixed securities, on cash, credit or other accounts, on policies, bonds, debentures, bills of exchanges, promissory notes, letters of credit or other obligations, or on the deposit of title deeds, merchandise, bills of sale and landing, delivery orders, warehousemen and certificates, notes, dock warrants, or other mercantile or tokens, bullion, stocks and shares.
- (3) To carry on the business of discounting dealing in exchanges, in species and securities.
- (4) To invest money in such manner as may from time to time be thought proper.
- (5) To act as agents for the sale and purchase of any shares or securities or for any other monetary transactions.
- (6) To carry on the business of financiers.
- (7) To contract for public and private loans, and to negotiate and issue the same.
- (8) To act as executors and trustees of wills, settlements and trust deeds of all kinds made by customers and others and to undertake and execute trusts of all kinds.
- (9) To deal with all types of bank notes, coins, currencies, receive and to deposit any monies in current

accounts, term deposits, savings accounts and receive precious articles and financial documents for deposit in safes.

- (10) To issue and negotiate bank guarantees and letters of credit, check payments, money orders and all other negotiable documents and their collection.
- (11) To sell bonds, certificates, stocks and all other securities.
- (12) To settle negotiable checks.
- (13) To sell, buy and exchange currencies, monies, bullions.
- (14) To participate in all investments relating to economic activity including participation in companies' share capital.
- (15) To enter into partnership with companies and organizations transacting activities similar to those transacted by the Bank.
- (16) To deposit, lend or advance money with or without security and generally to make or negotiate loans and advances of every kind.
- (17) To encourage saving schemes and mobilize deposits to be employed by the Bank for the purposes of its objectives. This includes acceptance of deposits, with or without interest, and the application of regulations deemed fit by the Bank's Board of Directors for the encouragement of saving schemes and mobilization of deposits, in compliance with licenses and permits issued by the Central Bank of Oman.
- (18) To attract local and foreign capital, arranging or obtaining local or international loans for the Bank and the acceptance of foreign deposits and external loans, provided that such activities comply with the regulations stipulated by the Government of Oman for this purpose.
- (19) To finance lease and hire purchase and purchase of debts and other extraordinary finance.
- (20) To acquire and discount, hire purchase or other agreements or any rights therein (whether proprietary or contractual) and generally to carry on business and to act as financiers, traders in securities and commission agents or in any other capacity in Oman and to sell, barter, exchange, pledge, make advances upon or otherwise deal in properties, houses, buildings, flats furnished or otherwise as aforesaid subject to first obtaining the Central Bank of Oman's approval.
- (21) To act as insurance agents, intermediaries or financial advisors for the benefit of its customers and to advise, sell and procure the sale of such services to its customers subject to the Central Bank of Oman's and other necessary regulatory approvals.
- (22) Own, lease and rent movable and real estate assets in accordance with the Banking Law and other related and applicable laws of Oman, and directives of the Central Bank of Oman.
- (23) Without prejudice to the aforementioned conventional banking activities, the Bank may, consistent with the instructions of the Central Bank of Oman:
 - a) carry on the business of Islamic banking in all its fields, and provide banking services in compliance with Islamic Shari'ah
 - b) carry on all works of finance and investment in accordance with the provisions of Islamic Shari'ah through different types of Islamic finance and investment, including but not limited to Murahaba, Mudaraba, Musharaka, Ijara, Istisna', etc.;

- c) accept Zakat and unconditional donations and contributions from third parties for the account of the Zakat fund and to spend and utilize such funds for the benefit of others and to the discharge of the Bank's social responsibilities.

Licenses

The Bank is required to obtain and maintain certain licenses, permits and memberships which are renewable, where applicable, in accordance with their terms. The Bank presently holds the following material licenses:

Authority	Description	Expiry Date
Ministry of Commerce and Industry	Commercial Registration No. 1014333	3/3/2022
Oman Chamber of Commerce and Industry	Membership Certificate No. 1779	26/3/2020
Central Bank Oman	Commercial Banking License Islamic Banking License	Ongoing as per Banking Law
Capital Market Authority	Investment related activities*	31/12/2021

*Activities covered are Issue of structured instruments, Issue management, Fund management, Portfolio management, Marketing of non-Omani securities and Investment advice & research.

Approvals

The Issue has been approved by:

- Board of Directors – vide its resolution dated 19th November 2018.
- CBO – vide its letter no. BDD/IBS/BS/2019/2400 dated 23rd April 2019.
- CMA – vide its Administrative Decision 2019/52/K dated 17th June 2019

Changes in Bank's equity capital

Year	Paid-up capital opening balance (RO '000)	Stock Dividend as % to paid-up capital	Capital from conversion of bonds (RO '000)	Paid-up capital end of the year (RO '000)
2016	144,144	10%	1,892	160,450
2017	160,450	10%	1,970	178,465
2018	178,465	10%	1,954	198,265
2019	198,265	-	-	198,265*

* As on the date of this Prospectus

CHAPTER 5: OVERVIEW OF THE OMAN ECONOMY AND BANKING SECTOR

OVERVIEW OF OMAN ECONOMY

The Sultanate's economy is witnessing a structural transformation with increased diversification leading to accelerated non-oil economic activities and reduced dependence on the hydrocarbon sector over the last few years. The nominal gross domestic product (GDP) grew by 8.7% in 2017 as against a contraction of 15.0% and 3.0% in 2015 and 2016, respectively. The economic recovery in 2017 was fairly broad-based with both hydrocarbon activity and non-hydrocarbon activity growing by 20.8% and 3.9%, respectively. All three non-hydrocarbon groups viz. industry, services, and agriculture and fishing witnessed growth during 2017. The non-oil external demand also surged and contributed to the growth, suggesting the diversification program gaining traction. The fiscal consolidation through rationalization of expenditure and augmentation of non-oil revenue continued as the focus area, albeit it was a drag on aggregate demand.

Notwithstanding improved performance of non-oil economic activities, the hydrocarbon sector remains the main driver of Omani economy. International oil prices recovered significantly with global inventories finally starting to respond to OPEC and non-OPEC oil producers' agreement to cap crude production. The extension of the agreement until the end of 2018 gave a further boost to oil prices. With a surge in oil prices, the hydrocarbon sector's contribution to the nominal GDP increased to 30.1% in 2017 from 27.1% during 2016. The hydrocarbon revenues constituted 72.9% of the government revenues in 2017 as against 68.2% in 2016. The oil and gas exports also contributed majorly to the merchandise exports with their share edging up to 58.3% in 2017 from 57.9% in 2016. The value added from crude oil grew by 23.0% and contributed about 91% to the growth of petroleum activities, while that emanating from natural gas witnessed a growth of 10.5% and contributed about 9% to the incremental petroleum activities during 2017. The surge in international oil prices helped Oman to recover some portion of its nominal GDP that was lost during the contractionary period. The average Omani crude oil prices increased to US\$ 51.3 per barrel during 2017 as compared to US\$ 40.1 a barrel during 2016. During January-March 2018, the international prices for Omani crude oil averaged US\$ 62.9 per barrel as compared with US\$ 50.4 per barrel during January-March 2017. Despite a significant contribution of the hydrocarbon sector to economic activities, the economy's dependence on this sector is reducing, reflecting the success of the public policy in this regard.

The non-oil sector continued to attract the attention and accordingly, the policy efforts have been undertaken to improve the overall business and investment environment so that this sector prospers with increased participation of private sector. The non-oil activities are also bolstered through facilitating trade with countries in GCC region and outside and promoting tourism. The public-private partnership (PPP) is being promoted to foster the contribution of the private sector in diversification and growth of the economy. The National Program for Enhancing Economic Diversification, 'Tanfeedh', continues to focus on five sectors, viz. (i) manufacturing, (ii) tourism, (iii) logistics, (iv) fisheries, and (v) mining for implementing various projects and initiatives with a monitorable action plan. Consequently, non-oil activities made good progress in the last few years, reflecting the progress of the policy measures undertaken to nurture the private-sector led growth in the economy. Further, the Government is also contemplating setting up a dedicated PPP authority to accelerate the execution of infrastructure and other civil projects. Additionally, the role of the private sector would be expanded through privatization of government assets, aiming at improving efficiency and

productivity, besides helping in generating non-oil non-tax receipts for financing fiscal deficit. The enactment of Foreign Investment Law and Bankruptcy Law, which are under active consideration, would also encourage domestic and foreign investors greatly and promote private sector-led growth. Furthermore, going beyond 2020, the Vision 2040 also continue to focus on economic diversification to develop a more diversified, dynamic, globally integrated and competitive economy for ensuring sustainable growth over the long run. The financial sector has also been actively participating in nurturing the non-oil sector in the economy by providing requisite funding and other services, including promoting small and medium enterprises.

OUTLOOK FOR OMAN

Omani economy recovered from the contractionary run and posted a positive nominal growth of 8.7% during 2017, which was attributed to a rapid surge in oil prices and pick up in non-oil activities resulting from focused diversification efforts. As the excess global supply of crude oil has been tackled to a large extent, the global oil market has rebalanced and a strong global demand is keeping an upward pressure on the international oil prices. The agreement to cut oil production between OPEC and non-OPEC oil producers has been extended up to the end of 2018, while some supply shock is anticipated on account of expected drop in oil production from Venezuela (due to political instability and lack of investment) and uncertainty with regard to oil supply from Iran after withdrawal from the nuclear agreement by the USA. At the same time, shale production from the USA has displayed inability to compensate for a drop in oil production by OPEC and non-OPEC oil producing countries. Even OPEC countries would find it difficult to jack up oil production within a short time as the investment in exploration remained subdued because of protracted low oil prices. On the other hand, global demand for oil is expected to remain robust over the foreseeable future as the world economy has gained further momentum with fairly broad-based recovery. Oman also continues to invest in exploration of oil and gas to enhance the production level and the Khazzan gas project once developed fully (phase I has already come in full steam and the work on phase II has already commenced), would add considerably to the natural gas production.

The government authorities are also continuously endeavoring to bolster non-oil economic activities to diversify the economy away from the hydrocarbon sector. The policy efforts are producing positive results and the non-hydrocarbon sector recorded an accelerated nominal growth of 3.9% during 2017 as against 2.6% in 2016. Non-oil exports have also witnessed a steady growth over the last few years on the back of strong external demand and diversification efforts producing positive results. The 'Tanfeedh', continues to concentrate on five sectors for implementing specific projects and initiatives with a potential for diversification. Various other policy efforts, such as public-private partnership (PPP), enactment of Foreign Investment Law and Bankruptcy Law, privatization of government companies, etc., are underway to propel non-oil economic activities and private sector-led growth. Furthermore, going beyond 2020, the Vision 2040 also focuses on economic diversification to develop a more diversified, dynamic, globally integrated and competitive economy for ensuring sustainable growth over the long run. The financial sector has also been actively participating in nurturing the non-oil sector in the economy by providing requisite funding and other services, including promoting small and medium enterprises.

The CBO has also implemented certain policy measures recently, enabling banks to support higher economic activities in the Sultanate through meeting the requirements for credit and other banking services. In the above backdrop, the growth outlook for the Omani economy appears to be robust over the short term. Nonetheless, some downside risks to the outlook over the medium-term may emanate from tightening of global financial conditions and uncertainty about oil prices, especially on account of progress with regard to the alternative fuels and increase in supply by the countries outside the cartel of OPEC and non-OPEC oil producers.

OVERVIEW OF BANKING SECTOR

The Central Bank of Oman (CBO) continues to play an important role in maintaining financial stability, pursuing appropriate monetary policies, developing financial markets, implementation of modern payment and settlement systems and supervising and regulating the banking sector. The banking sector in Oman continued its positive growth trend in 2017 consistent with the overall GDP growth. The liquidity situation in the banking system remained comfortable to support domestic demand and growth. Despite increase in the size of banks' balance sheet, the ratio of gross non-performing loans to total credit registered a marginal increase in 2017. Notwithstanding the macro-economic challenges of twin deficits in the fiscal and current accounts due to the fall in crude oil prices, the banking sector remained robust, supporting economic diversification initiatives and growth. The institutional framework of the financial sector falling under the CBO jurisdiction comprised mainly conventional commercial banks, Islamic banks and windows, specialized banks, non-bank finance and leasing companies, money exchange and draft issuing establishments and money changing outlets. As at the end of the year 2017, the number of conventional commercial banks remained at 16 of which seven were locally incorporated and nine were branches of foreign banks. Conventional banks operated in Oman with a network of 436 branches. In addition, they had five branches and three representative offices abroad. The locally incorporated conventional banks were Bank Muscat, National Bank of Oman, HSBC Bank Oman, Oman Arab Bank, Bank Dhofar, Sohar International Bank and Ahli Bank. The foreign banks operating in Oman were Standard Chartered Bank, Habib Bank, Bank Melli Iran, Bank Saderat Iran, Bank of Baroda, State Bank of India, First Abu Dhabi Bank (formerly known as National Bank of Abu Dhabi), Bank of Beirut and Qatar National Bank. Conventional commercial banks (excluding their Islamic banking windows) had in total 1,288 ATMs (of which 620 were off-site), 225 cash deposit machines (of which 22 were off-site) and 13 on-site banking facilities. Of the seven locally incorporated conventional banks, six were listed in the Muscat Securities Market. All the conventional banks are privately owned, with the government having minority stakes in a few. Aggregate foreign ownership in locally incorporated banks is limited by law to a maximum equity share of 70% with prudential sub-limits on the shareholding pattern. At the end of 2017, 12 conventional banks and one full-fledged Islamic bank had CBO approval to engage in specified investment banking activities on a tiered licensing system. There were also two government-owned specialized credit institutions, namely Oman Housing Bank and Oman Development Bank that provides soft financing to mainly low and middle income nationals to build or purchase residential property and to private sector investors to finance small projects, respectively. The specialized banks operated with a network of 23 branches. At the end of 2017, there were also two full-fledged locally incorporated Islamic banks, namely Bank Nizwa and Alizz Islamic Bank. The Islamic and the conventional banks' Islamic windows together operated with 76 branches at the end of 2017 from 70 a year ago. They also had 79 ATMs and 41 cash deposit machines in service. As at the end of December 2017, six finance and leasing companies licensed by CBO were engaged in leasing activities, hire purchase, debt factoring and other similar asset finance based operations. Together, they operated with 37 branches, all based in Oman. There were also 16 exchange establishments licensed for money exchange and remittance business as well as 36 exclusive money changing firms. The 16 exchange establishments had 358 branches at the end of the year. Besides the above, the broad financial sector in Oman also included public and private sector pension funds, several insurance and brokerage firms and the Muscat Securities Market.

(Source: CBO Annual Report 2017, published in June 2018)

Category/Award	Organization	Based	Year
Best Financial Brand Oman 2014	Global Brands Magazine	UK	2014
Best Banking CEO Oman 2014			
Best Cash Management	CPI Financial – Banker Middle East Product Awards 2014	UAE	
Best Customer Service Retail Banking			
Best Corporate Card			
“Best Branding” Award	CPI Financial – Islamic Business and Finance Awards		
Golden Order of Merit in the field of CSR – Middle East	Tatweej Academy	UAE	
Best Bank for Fast Growth / Middle East	IAIR Awards	Italy	
Diamond Eye Award for Quality Commitment & Excellence	Otherways Management & Consulting Association	France	
Strategic Award	PAN Arab Awards	Lebanon	
Strategic Award from Oman Web Awards	Oman Web Awards	Oman	
Fastest Growing Bank Oman 2014	International Finance Magazine (IFM)	UK	
Outstanding Contribution to Banking Industry Oman 2014			
Most Socially Responsible Bank Oman 2014			
Top 5 Large Corporates	AIWA Magazine	Oman	
Most Outstanding Corporate Leader			
Green Campaign of the year	United Press & Publishing at OER Oman Green Awards	Oman	
Business Excellence Award	Bizz Awards – World Confederation of Businesses (WORLDCOB)	USA	
Best CSR Bank Oman	Global Banking & Finance Review	UK	
Best Banking Website Oman 2014			
Best Bank for Social Media Oman 2014			

Category/Award	Organization	Based	Year
“Best Banking Performance” Award	Al Roya Economic Award 2015	Oman	2015
Golden Order of Merit in the field of CSR – Middle East	Tatweej Academy	UAE	
Excellence & Quality in Corporate Governance			
Best Enterprise Award	Europe Business Assembly	UK	
Manager of the Year			
Best ‘Straight Through Processing’ (STP) banks in Oman	Standard Chartered Bank		
Best ‘Straight Through Processing’ (STP) banks in Oman	Commerzbank AG	Germany	
Trade Award 2014			
Top 5 Large Corporates	AIWA Magazine	Oman	
Most Outstanding Corporate Leader			
Peak of Success Trophy	Bizz Awards - World Confederation of Businesses (WORLDCOB)	USA	
Finacle Client Innovation Award 2015	Finacle	India	
Bank of the Year for Growth – Middle East Award	IAIR Awards	Italy	
Best Bank for Social Media Oman 2015	Global Banking & Finance Review	UK	
Best Customer Service Bank Oman 2015	International Finance Magazine (IFM)	UK	
Best CSR Bank Oman 2015			
Best Financial Brand Oman 2015	Global Brands Magazine	UK	
International Diamond Prize for Excellence in Quality 2015	European Society for Quality Research (ESQR)	Switzerland	

Category/Award	Organization	Based	Year
Best Customer Service - Oman	CPI Financial	UAE	2016
Best Call Centre - Oman			
STP Award 2015	J.P. Morgan Chase & Co.	USA	
Strategic Award	PAN Arab Awards	Lebanon	
Silver Award	SJS Group (Oman) - Oman Tech Awards	Oman	
OER Top 20 Large Corporate Awards	UMS	Oman	
Best Mid-Size Bank in Asset Quality Award	UMS - GCC Summit	Oman	
Best Customer Service Brand, Oman 2016	Global Brands Magazine	UK	
Best Financial Brand, Oman 2016			
Best Social Media Bank - Oman 2016	Global Business Outlook	UK	
Peak of Success Trophy	Bizz Awards - World Confederation of Businesses (WORLDCOB)	USA	
"Best Public Awareness Campaign Road Safety" Award on a regional level and across the banking sector	IQPC Middle East - Qatar Transport Safety Awards	Qatar	

Category/Award	Organization	Based	Year
Golden Order of Merit in the field of CSR – Middle East	Tatweej Academy	UAE	2017
OER Top 20 Large Corporate Awards	UMS – Oman Economic Review (OER)	Oman	
Excellence in Corporate Leadership Award	UMS at the Alam Al Iktisaad Wal A'mal Awards – Oman's Best Performing Companies	Oman	
Insights Driven Banking – Emerging Technologies Led Innovation	Infosys Finacle Client Innovation Awards 2017		
Core Banking led “Digital Banking Transformation” – Innovation in Project Management for Mid-Size Banks			
First Place in ROP's Road Safety Awards	ROP Third Edition of the Road Safety Awards organized by the Royal Oman Police	Oman	2018
Best Performing Companies	AIWA Awards by UMS	Oman	
Innovative Custom Components category	Infosys Limited	India	2019
Excellence in New Brand Identity Award	Oman Banking & Finance Awards were powered by OER	Oman	

CHAPTER 6: BUSINESS OVERVIEW

INTRODUCTION

The Bank is a full scale retail and commercial bank which commenced business in 2007. Its operations are focused on Oman and it is the fourth largest bank in the country in terms of total assets and has been the fastest growing bank in Oman in terms of total assets since 2007. As on 31st December 2018, the Bank operates a network of 30 conventional branches, seven Islamic branches and 74 ATMs spread throughout Oman.

The Bank's Wholesale Banking Division provides products and services to large corporates, mid-sized corporates, SMEs and the government and public sector in Oman. The SME business is relatively small, but is being expanded. The Bank also provides advisory services to entrepreneurs and works closely with government departments responsible for promoting SMEs in the country.

The Bank's retail banking business has grown substantially over the years, although the rate of growth has slowed since 2014 reflecting a general concern that individual indebtedness in the country is rising. Since 2013, the Bank has also been providing Shari'ah-compliant banking through an Islamic finance window.

STRENGTHS

The Bank's core strengths are its:

- **Significant indirect government shareholding:** The Bank's Shares are majorly held by government entities including long-term investors such as pension funds and sovereign wealth funds.
- **Strong asset quality:** The Bank enjoys a good asset quality built over years with appropriate balancing of marketing considerations and risk management policies.
- **Diversified Portfolio:** Credit book of the Bank is widely diversified among all the key sectors of economy offering a well-balanced portfolio.
- **Strong growth:** The Bank has been one of the fastest growing banks in Oman in terms of total assets since 2007. This reflects its initial strategy which has been achieved with appropriate implementation.
- **Strong management:** The Bank possesses an experienced senior management team, largely from the Omani market, and this team has successfully grown the Bank's assets and profitability with a prudent balancing of risk.
- **Strong culture and robust practices of Corporate Governance:** The Bank maintains clear demarcation between the different layers of the organization. There are clear checks and balances between these different layers, viz. shareholders, board and management. The Bank does not only abide by the rules and regulations of the CBO and CMA in this regard, but also strives to adhere to best international practices of corporate governance.
- **Robust Risk Management Framework and Systems:** The Bank operates a robust risk management

system covering all areas of risk including credit, market, operation, business continuity, system administration, and residual risk. The risk is evaluated on a transaction basis as well as on a portfolio basis. Risk management is strengthened by historical portfolio analysis, projections, and predictions, sensitivity analysis, etc. Sufficient process, policies, and triggers are established which is updated at regular intervals to ensure regulators' compliance requirement as well as to support inclusive growth.

- **Islamic banking window:** The Bank's Islamic window under the name 'Sohar Islamic' was established in full compliance with Shari'ah requirements and CBO regulations. Islamic banking provides the Bank with significant flexibility in allowing customers to choose the type of banking service they prefer.

BUSINESS SEGMENTS

Segment information is presented in respect of the Bank's operating segments. For management purposes, the Bank is organized into the following seven operating segments based on products and services as follows:

- **Wholesale banking** includes loans to and deposits from corporates, small and medium enterprises and trade finance customers.
- **Retail banking** includes loans to and deposits from retail customers, credit card and fund transfer facilities.
- **Government and Project Finance and Syndication** include loans to and deposits from government and financial institutions, project finance and syndicated loans.
- **Investments** include proprietary investments, correspondent and investment banking.
- **Treasury** includes the treasury function of the Bank.
- **Head Office** includes the pool of resources considered for transfer pricing and absorbs the cost of portfolio impairments and income tax.
- **Islamic Banking** includes Islamic financing activities, current accounts, unrestricted investment accounts and other products and services to corporate and individual customers under Shari'ah principles.

Wholesale banking

Principal customers

The Bank's wholesale products and services are targeted at government and public sector entities in Oman as well as companies and individuals undertaking commercial activities in Oman. The wholesale banking segment operates through six specific departments:

- **Large corporate banking**, which caters to businesses with an annual turnover of more than RO 5 million. This department focuses on providing superior service to its customers and customized banking products to suit their individual requirements. It caters to both the domestic and overseas needs of large corporates by offering a wide range of corporate finance products ranging from traditional working capital finance to syndicated project finance. The department's clients include multinational companies and domestic companies engaged in a wide range of economic activities including contracting, trading, power, water, telecommunications, oil and gas, aviation, shipping, airport and ports, petrochemicals and real estate. The department has particular expertise in engineering financing and in large infrastructure projects, particularly in the hospitality and education sectors.

- **Mid-corporate banking**, which was established in 2013 to serve medium-sized companies. This department focuses on sub-contractors within the oil and gas, hospitality, education, retail and contracting sectors. It seeks to provide value-added products and services to its clients and is well positioned to exploit the synergies of combined operations with other departments, such as the large corporates department, the SME department and the project finance department.
- **Small- and medium-sized enterprises**, which targets businesses having an annual turnover of up to RO 1.5 million. This department principally services SMEs and the businesses of Omani individuals. The SME sector in Oman has been growing steadily in terms of business and, in an effort to enhance coverage and visibility, the SME department interacts with other local bodies and government organizations dedicated to promoting SMEs and Omani entrepreneurial potential. The department principally provides trade finance and foreign exchange services to its customer base.
- **Government institutions and public sector banking**, which serves the needs of the Government, its ministries and public sector entities with a direct or indirect Government holding of more than 50%. The unit aims to ensure fast credit approval processes and efficient service and to deliver customized solutions in the area of remittances, trade finance, other retail products and corporate credit cards. It also focuses on ensuring regular client contact.
- **Trade finance**, which focuses on the export and import business for the Bank's whole corporate and retail customer base. This unit regularly conducts workshops for its clients and provides a full spectrum of trade finance products, including import and export letters of credit, standby letters of credit, import and export bill financing, bill discounting, discounting against export credit guarantee agency cover and bank lines, buyers' credit financing, structured trade finance, contract and financial letters of guarantee and pre- and post-shipment financing.
- **Project finance and syndication**, which was established in 2015. This department brings together a project finance team that has experience in structuring, appraising and syndicating projects related to sectors like oil and gas, metals, mining and minerals, real estate, power, road, ports, airports and railways. The department has participated in a number of syndicated financings, as arranger and lead manager since it was established.

Principal products and services

The principal wholesale client products and services offered by the Bank include:

- **Working capital finance:** The Bank offers a range of funded facilities, such as overdrafts, money market loans and trade finance products denominated in Omani Rial and a number of major currencies, and unfunded facilities such as letters of credit and guarantees.
- **Term loans:** The Bank offers fixed and floating rate term loans, typically with a maturity of at least one year, in Omani Rial, U.S. dollars and other major currencies for the acquisition of capital assets as well as for other corporate purposes.
- **Contract finance:** The Bank offers contract finance facilities to finance projects sponsored by the government and certain private companies. These facilities are structured based on the cash flows of the specific contract being financed. Funded facilities include discounting of certified bills and invoices, contract loans, contract overdrafts and loans against trust receipts and unfunded facilities include bid bonds, performance bonds, advance payment bonds and sight and usance letters of credit.
- **Special finance:** The Bank offers a range of special finance facilities to its large corporate and

Government sector clients designed to meet their specific requirements. These include share trading loans and overdrafts, real estate development loans, seasonal finance, bridge loans, intra-month financing, specific order financing, investment loans, general purpose corporate loans, asset purchase loans and cash flow financing.

- **Project finance:** The Bank offers project finance facilities for the construction and development of large projects to its large corporate and government sector clients. These facilities can either be structured with recourse to the project sponsor or, alternatively, on the basis of the project strength without recourse or with only limited recourse to the project sponsor. The facilities include syndicated and bilateral loans, guarantee facilities and letter of credit facilities .
- **Real estate finance:** The Bank offers real estate loans to finance property acquisition and development. Projects are assessed by in-house expert teams, who also monitor the progress and supervise project specifications and compliance to required standards.

Other services and products offered by the Bank include advice in relation to the viability and technical aspects of projects, advice on managing foreign exchange and interest rate risks, cash management services, trade finance consultancy services, a range corporate current, demand and time deposits, internet banking, sweeping and pooling facilities for surplus funds and corporate credit cards.

Retail banking

The Bank's retail products and services are targeted at both Omani nationals and expatriates working in Oman. The Bank believes that the key attractions of its retail products and services are:

- its fast turnaround times
- its structured loan products that are tailored to its customers' requirements
- its multiple banking channels, including branches, internet, mobile and ATMs
- flexible approach in meeting customer requirements
- the fact that it targets all segments with tailored products and services

Principal products and services

The principal retail products and services offered by the Bank are:

Current, savings and term deposit accounts

The Bank offers a range of deposit products in local and foreign currencies including:

- Current accounts which, provided that a minimum balance of RO 200 is maintained, offer free and unrestricted access for deposits and withdrawals and a check book facility;
- Al Mumayaz term deposit accounts which can be opened in a range of currencies and offers a range of tenors. The account is interest bearing and requires a minimum balance of RO 1,000;
- Al Mumayaz savings accounts (both interest bearing and non-interest bearing). The non-interest bearing accounts enable the holder to participate in periodic draws with cash prizes being rewarded to the winning retail customers

- Ready cash, which is a term deposit account that provides instant liquidity through an associated overdraft facility. The account offers terms of one, two, three, four or five years at fixed rates of interest with the overdraft being capped at 75% of the account. Deposits can be made only in multiples of RO 1,000.

Lending

The Bank offers a range of general and specific-purpose loans as follows:

- **Smart loan,** which aims to provide a quick and flexible borrowing option through simple documentation and rapid processing. Smart loans have a tenor up to 10 years for Omani nationals and six years for expatriates and are granted without the need for the borrower to undergo any medical examination for loans of less than RO 100,000. Borrowers of smart loans are also entitled to a free classic card for life;
- **Al Mumayaz personal financial solutions,** which are available to Omani residents and nationals only with a minimum monthly salary of RO 500 who are employed by a company within the Bank's approved list. The loan offers a special interest rate, a tenor of up to 10 years and flexible repayment plans and is designed to appeal to customers wishing to consolidate loan balances from other banks;
- **Al Mumayaz educational services,** which offers tailored financial solutions for students in higher education and employees undertaking additional studies;
- **Al Bait Al Mumayaz home solutions,** which are available to finance residential property construction, the purchase of residential property or land and home furnishing. The amount of the loan is limited to 80% of the property valuation and the loans can have tenors up to 25 years. The loan interest rates are fixed for two years and reviewed thereafter and the loans are available only to Omani employees of government, semi-government or private companies within the Bank's approved list;
- **Al Mumayaz auto loan,** which is a rapid car finance solution for new or used cars secured against a salary assignment or post-dated checks.

Cards

The Bank offers retail customers a variety of debit, credit and prepaid cards. The Bank's basic debit card, which is a Visa Electron card, is available to all Al Mumayaz account holders and can be used for cash withdrawals at ATMs and for payment of purchases at point-of-sale machines. The card can be used in Oman and worldwide at over one million ATMs and 29 million merchant locations where Visa Electron cards are accepted. Use of the card for cash withdrawal at OmanNet ATMs is free of charge for the Bank's customers. The Bank also offers a platinum debit card which offers higher cash withdrawal and purchase limits and has a range of additional benefits.

The Bank also offers a prepaid Visa Electron card and four categories of credit card: classic, gold, platinum and infinite.

The Bank's classic credit card is free for life in the sense that no fees are charged, whilst its gold and platinum cards are free for the first year and holders of the infinite card can benefit from a fee waiver based on their annual spending. All three card categories also offer a discounted first year interest rate on outstanding balances and comprehensive insurance cover. Entitlement to the different cards is based on the card holder's annual salary.

The Bank's Mukaaf Al Mumayaz loyalty program provides points for spending using the Bank's platinum or infinite credit cards.

Privilege banking

Privilege banking (Al Khaas) customers will have a dedicated account relationship manager who introduces them to a growing portfolio of exclusive services and cards and attends to all their banking needs. The account relationship manager who aims to bring banking to the customer and provides all required assistance as well as a wide range of privileges and services, including:

- valuable gifts
- unique personalized current account check books
- a free swap facility between the customer's savings and current account
- free cash withdrawal facilities at the Bank's and OmanNet ATMs and per day withdrawal limits from ATMs of RO 1,000
- a black platinum debit card free of charge and higher purchase limits for point of sale debit card transactions
- SMS and internet banking customer facilities
- infinite and platinum cards
- no minimum balance charges
- preferential interest rates on loans and fixed-term deposits

Privilege banking customers are those whose monthly salary is RO 2,000 or more (or equivalent) or whose current and savings accounts have a minimum balance of RO 75,000 (or equivalent).

Investments and FIG

Investment Banking

The Investment Banking Division comprises of financial advisory solutions and asset management. In 2018, total asset under management increased to RO 100 million including the award of co-management of Oman Growth Fund.

In 2018, Sohar International helped raise further capital into Oman Development Fund (ODF) and onboarded a sovereign entity. This is testament to the fact that ODF is scaling new milestones and providing both the Bank and the investor value for its investments. ODF continues to seek investment opportunities in local greenfield manufacturing projects in support of the national agenda for economic diversification. The Bank's position as an advisory service provider was recently extended until 2024.

The Bank's asset management team successfully onboarded a number of prestigious clients in 2018 and early 2019 following its re-launch of trust and custody services, portfolio management service, and escrow service for private equity deals. At year's end the Bank reported the acquisition of five clients. Asset Management team is also increasing its presence in the market with offerings in equity and bond markets. Another key highlight of the year saw the Bank increase its asset under management to US \$250 million, demonstrating the increasing confidence on asset management business of Bank Sohar.

Attracting qualified and quality talent in specialized roles remains a challenge in the Bank's work to establish itself as a leading Omani services company. Market conditions also remain challenging regarding investment with Foreign Direct Investment remaining very low due to the avoidance of strategic investors outside the oil and gas industry's requirements. Low interest rates and Oman's reduced rating by the international ratings agencies have all lessened prospects; however, this has encouraged greater flexibility and accommodative policies from the regulating Capital Market Authority (CMA), and thus prompted new prospects that Sohar International has secured as a result.

On the proprietary book, fixed income remains the focus asset class. The portfolio has been restructured in 2018 which has resulted in the maintenance of a positive revenue of approximately RO 2 million from proprietary book. The bank's portfolio quality has improved significantly, as we focus more on liquid investments both in the local and international markets. Overall, 80% of the portfolio now is liquid reaping a yield of approximately 5-6%, following a negative of 7-8% in 2017.

Moving forward, the Bank's strategy is to develop its agency business in order to mitigate risk as it drives growth as a knowledge-based advisory firm consulting on investments and asset management. With a strong shareholder base the Bank is prepared to kick-start this new market provision as it helps to position the Bank in its new vision and delivery of a high-calibre service targeting the institutional and High Net Worth market segments.

Regarding future outlook, the Bank expects 2019 to be crucial in launching its advisory service with an aim to secure two-to-three deals throughout the year whilst moving forward with Oman Development Fund. New strategic investors have been welcomed into the fund with new projects anticipated in 2019. Sohar International is making preparations to explore the possibility of launching its own funds in the near future to create an ecosystem that drives growth in-line with its collaboration in government institutions, as well as existing project financing models.

Sohar International has already received custody license and will launch the new custody service for large funds in 2019. On an infrastructural note, the Bank is already equipped with propriety software and will thus be able to leverage that in the management of funds up to the value of RO 1-2 billion. Under its custody service, the Bank will keep stock of each fund, conduct administration, compliance, and lead financial reporting.

Financial institutions group

The Bank's FIG is responsible for managing the Bank's relationships with a wide network of correspondent banks around the world with a view to facilitating free flow of trade transactions across borders to help the Bank's clients develop their business and access superior facilities across the globe so as enhance their trade volumes. FIG offers its customers an efficient, responsive and reliable service that includes:

- Omani Rial clearing and settlement;
- Omani Rial payments to accounts with the Bank as well as to accounts at other banks having a presence in Oman;
- Treasury and foreign exchange related services, including an income-generating portfolio of syndicated loan assets which it makes available to foreign banks;
- acts primarily as the focal point of contact for local and international banks working with SI;
- sets and manages the entire Bank's country and bank lines to ensure smooth transactions with local and foreign counterparts;

- supports and coordinates the Bank's relationships with various correspondent banks and provides an array of products and services including trade finance, direct lending, cash & payments clearing, etc.

FIG also studies country and bank risks across the world and sets prudential exposure levels in line with the Bank's risk appetite and is responsible for managing the Bank's contact with its ratings agencies.

Treasury

The Bank's treasury offers its customers a range of treasury services including foreign exchange, fixed income, interest rate and derivatives products. The treasury accepts demand, term, structured and foreign currency deposits principally from large organizations on a fixed, floating or variable interest rate basis. Its foreign exchange products and services include same day value cash payments, spot, forward and future settlement transactions and currency swaps and options in all major currencies, including euro, pounds sterling, Japanese yen, Swiss francs and Australian dollars. The treasury also provides derivative instruments and associated advice to enable clients to effectively hedge a range of risk exposures.

In 2014, the treasury department introduced its Remote Online Payment System. Through this innovative system, corporate clients are able to schedule payments, monitor account activity, handle their foreign exchange and trade finance requirements, clear checks and have real time access to their accounts, thereby improving the efficiency of cash management and reducing bank visits.

In 2015, the treasury department also introduced commodity trade products for its clients, enabling them to trade on a spot and forward basis for hedging purposes only.

In addition, the treasury provides regular up to date information on various markets and products to the Bank's large corporate clients, SMEs, government departments and fund managers. It also provides comprehensive cash management and risk management solutions to clients.

Islamic Banking

In April 2013, the Bank obtained a license to operate its Islamic banking window, "Sohar Islamic". Sohar Islamic currently provides Shari'ah-compliant solutions to retail, corporate, trade finance and treasury customers.

Retail

Sohar Islamic's retail products include current accounts and profit-bearing savings and term deposit accounts with a range of tenors, supported by a debit card, SMS and internet banking. Sohar Islamic also offers its retail customers a car finance product with and without salary transfer and construction and housing finance products.

Corporate

Sohar Islamic's corporate products include investment accounts (a deposit product based on a pooled Shari'ah-compliant investment strategy which generates the returns paid) and working capital, asset purchase, import, project, commercial vehicle and equipment and construction financing for corporate and SME customers.

Trade finance and treasury

Sohar Islamic provides a range of Shari'ah-compliant trade finance solutions, including:

- letters of guarantee, including bid bonds, tender bonds, performance bonds and advance payment guarantees;
- export bills under collection; and
- letters of credit (sight and usance).

Sohar Islamic's treasury products include both spot and forward products designed to facilitate export and import transactions.

Branch network and product distribution

The Bank's products and services are offered through its branches and a range of other channels described below.

Branches

On 31st December 2018, the Bank had a network of 30 branches for conventional banking and seven Islamic banking branches for Sohar Islamic customers in Oman. The Bank's branch network continues to be the principal channel through which retail and corporate customers conduct their banking business.

Other distribution channels

The Bank's other distribution channels comprise:

- Call center: the Bank's call center operations are located in Muscat and commenced in 2007, which serves both retail and corporate customers;
- Direct sales agents: direct sales agents target sales by offering bundled and tailor-made products and services to existing and potential customers;
- Internet banking: the Bank provides online banking services to its corporate and retail customers. The Bank's retail and corporate internet banking services include local and international payment transfers, bill payments (for retail customers), trade finance and payroll services (for corporate customers), balance enquiries, account statements and other services;
- ATMs and CDMs: on 31st December 2018, the Bank had a network of 74 ATMs and 37 customer deposit facilities machines across Oman. In addition, the Bank's customers are also able to access more than 1,000 OmanNet ATMs across the country;
- Mobile banking: customers can register their mobile telephone numbers to receive SMS text message alerts for transactions without charge.

Sources of Financing and Debt Equity Ratio (Based on unaudited financials of 31st March 2019)
(in RO '000)

	Pre-issue	Post-issue
Debt		
Due to banks and other money market borrowings	679,873	679,873
Customers' deposits	1,818,147	1,818,147
Other liabilities	74,274	74,274
Subordinated loans	35,645	35,645
Certificates of deposits	503	503
Total Debt	2,608,442	2,608,442
Shareholders' Equity		
Share capital	198,265	236,360
Share premium	18,037	19,942
Legal reserve	24,375	24,375
General reserve	988	988
Impairment reserve	737	737
Fair value reserve	(2,634)	(2,634)
Subordinated loans reserve	7,000	7,000
Retained earnings	32,368	32,368
Total Shareholders' Equity	279,136	319,136
Perpetual Tier 1 Capital Securities	200,000	200,000
Total Equity	479,136	519,136
Total financing sources	3,087,578	3,127,578
Total Debt/Total Equity ratio	5.44	5.02

Asset quality and Provisioning

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

Information Technology

The Bank's IT strategy is focused on providing reliable and available information and systems to its customers and employees in a secure environment. It also assesses the Bank's future operational needs and develops and implements new IT systems to meet them, in each case with reference to the Bank's overall technology strategy and with the primary aim of delivering efficient and cost-effective systems.

For the Bank's customers, the focus is on delivering a convenient and efficient banking service, offering a range of remote banking applications including ATMs, internet and telephone banking. For the Bank's internal businesses, the focus is on providing effective methods and processes for promoting and delivering services to their customers.

The Bank has implemented a disaster and recovery site on remote premises that can be activated when required, to ensure that critical systems and data continue to be fully operational and to provide essential services to its customers. The Bank carries out daily and other periodic data back-ups which are stored at a location in Oman away from its head office.

The Bank also carries out annual intrusion tests on its IT network with the assistance of an external vendor who performs continuous remote intrusion monitoring on the Bank's behalf, providing the Bank with a daily activity report. There is no evidence of successful intrusion attempts to date.

Legal Proceedings

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

Corporate Social Responsibility

On the Corporate Social Responsibility (CSR) front, the Bank has implemented multi-faceted CSR program directed towards the wellbeing of benefactors of differently abled communities such as children with disabilities, orphans, cancer patients, the elderly, the visually impaired, the autistic and others. The Bank also has a long-standing commitment to youth empowerment, cultural, traditional and sporting agenda through various sponsorship initiatives.

The Bank has launched its own initiatives focusing on the empowerment of youth and building the generation of future leaders including Chairman's forum – Viewpoints, a thought-provoking platform with world-renowned leaders, and 'Tomohi - Enhancing Omani Youth Skills', a one year internship program for college and university graduates with the aim to boost their employability.

Channels of Contact with Shareholders and investors

The Bank is committed to ensure timely disclosure and communication of all material information to the Shareholders and the market. The Bank prepares, publishes and sends investor related information in the quarterly, half-yearly reports and the annual report as per the statutory guidelines.

Under full supervision of the Board of Directors, the management takes responsibility for the preparation, integrity and fair presentation of the financial statements and other information in the annual report.

The financials of the Bank are available on MSM website viz, www.msm.gov.om and also on the website of the Bank at www.soharinternational.com. The Bank also makes timely disclosures of any and all material information on MSM website strictly in line with the regulations.

CHAPTER 7: FINANCIAL REVIEW

The following information has been extracted from the audited and unaudited financial statements. For full financial statements, please visit MSM website at www.msm.gov.om or Bank’s website at www.soharinternational.com.

Statement of Financial Position

	* (RO million)			
	Q1 2019	2018	2017	2016
Assets				
Cash and balances with Central Bank	100	72	182	120
Due from banks and other money market placements	44	121	104	99
Loans, advances and financing (net)	2,337	2,252	2,099	1,913
Investment securities	540	533	414	351
Property, equipment and fixtures	28	20	17	16
Investment properties	3	3	3	3
Other assets	36	45	24	18
Total assets	3,088	3,046	2843	2,520
Liabilities				
Due to banks and other money market borrowings	680	722	719	575
Customers' deposits	1,818	1,818	1,643	1,532
Other liabilities	74	85	31	29
Subordinated loans	36	35	35	87
Compulsory convertible bonds	-	-	2	5
Certificates of deposit	1	1	19	18
Total liabilities	2,608	2,661	2449	2,246
Shareholders' equity				
Share capital	198	198	178	160
Share premium	18	18	18	17
Legal reserve	24	24	21	19
General reserve	1	1	1	1
Impairment reserve	1			
Special reserve	-	-	3	-

*Unaudited

Fair value reserve	(3)	(2)	(1)	(1)
Subordinated loans reserve	7	7	-	50
Retained earnings	32	39	73	27
Total shareholders' equity	279	285	294	274
Perpetual Tier 1 Capital Securities	200	100	100	-
Total liabilities and shareholders' equity	3,088	3,046	2843	2,520

Statement of Comprehensive Income

	* (RO million)			
	Q1 2019	2018	2017	2016
Interest income	35	130	109	91
Interest expense	(19)	(74)	(62)	(46)
Net interest income	16	57	48	45
Net income from Islamic financing and investing activities	1	5	4	3
Other operating income	9	33	25	22
(Loss)/gain from available-for-sale investment securities	-	-	-	(4)
Total operating income	26	94	76	67
Staff costs	(7)	(24)	(21)	(20)
Other operating expenses	(4)	(14)	(12)	(11)
Depreciation	(1)	(2)	(2)	(2)
Total operating expenses	(12)	(40)	(35)	(33)
Net operating income	14	55	42	34
Loan impairment charges and other credit risk provisions (net)	(3)	(20)		
Impairment on investment securities	-	-	(2)	(3)
Impairment allowance on portfolio basis	-	-	(2)	(3)
Impairment allowance of specific basis	-	-	(8)	(6)
Net profit before tax	11	34	30	22
Income tax expense	(1)	(5)	(5)	(3)
Net profit for the period	10	29	25	19

*Unaudited

Statement of Cash Flows

	* (RO million)			
	Q1 2019	2018	2017	2016
Net cash (used in)/from operating activities	(200)	399	(124)	(185)
Net cash (used in)/from investing activities	(12)	(51)	(19)	16
Net cash (used in)/from financing activities	84	(17)	36	23
Cash and cash equivalents at beginning of period	344	14	120	266
Cash and cash equivalents at end of period	216	344	14	120

*Unaudited

**STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS
ENDED 31st MARCH 2019**

(RO'000)

	Share Capital	Share Premium	Legal Reserve	General Reserve	Impairment Reserve	Fair Value Reserve	Subordinated Loans Reserve	Retained Earnings	Total Shareholder's Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1st January 2019	198,265	18,037	24,375	988	-	(2,124)	7,000	38,883	285,424	100,000	385,424
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	10,152	10,152	-	10,152
Other comprehensive income for the period	-	-	-	-	-	(510)	-	-	(510)	-	(510)
Total comprehensive income for the period	-	-	-	-	-	(510)	-	10,152	9,642	-	9,642
Dividends paid for 2018	-	-	-	-	-	-	-	(11,896)	(11,896)	-	(11,896)
Issue of Perpetual Tier 1 Capital Securities	-	-	-	-	-	-	-	-	-	100,000	100,000
Additional Tier 1 coupon paid during the period	-	-	-	-	-	-	-	(3,843)	(3,843)	-	(3,843)
Issue expenses - Additional Tier 1 capital	-	-	-	-	-	-	-	(191)	(191)	-	(191)
Transfers (Note B11)	-	-	-	-	737	-	-	(737)	-	-	-
Balance as at 31st March 2019	198,265	18,037	24,375	988	737	(2,634)	7,000	32,368	279,136	200,000	479,136

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31st DECEMBER 2018**

(RO'000)

	Share Capital	Share Premium	Legal Reserve	General Reserve	Special Reserve	Fair Value Reserve	Subordinated Loans Reserve	Retained Earnings	Total Shareholder's Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1st January 2018	178,465	17,607	21,438	988	3,103	(656)	-	72,651	293,596	100,000	393,596
Impact of adopting IFRS 9 (Note A6 i)	-	-	-	-	(3,103)	(2,018)	-	(16,713)	(21,834)	-	(21,834)
Restated opening balance under IFRS 9	178,465	17,607	21,438	988	-	(2,674)	-	55,938	271,762	100,000	371,762
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	29,366	29,366		29,366
Other comprehensive income for the year	-	-	-	-	-	(1,359)	-	-	(1,359)	-	(1,359)
Total comprehensive income for the year	-	-	-	-	-	(1,359)	-	29,366	28,007	-	28,007
Reclassification of net change in fair value of equity instruments upon derecognition	-	-	-	-	-	1,909	-	(1,909)	-	-	-
Issue of bonus shares for 2017	17,846	-	-	-	-	-	-	(17,846)	-	-	-
Conversion of CCB to share capital	1,954	430	-	-	-	-	-	-	2,384	-	2,384
Dividends paid for 2017	-	-	-	-	-	-	-	(8,923)	(8,923)	-	(8,923)
Additional Tier 1 coupon paid during the year	-	-	-	-	-	-	-	(7,750)	(7,750)	-	(7,750)
Issue expenses - Additional Tier 1 capital	-	-	-	-	-	-	-	(56)	(56)	-	(56)
Transfers (Note B11 & B15)	-	-	2,937	-	-	-	7,000	(9,937)	-	-	-
Balance as at 31st December 2018	198,265	18,037	24,375	988	-	(2,124)	7,000	38,883	285,424	100,000	385,424

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31st DECEMBER 2017**

(RO'000)

	Share Capital	Share Premium	Legal Reserve	General Reserve	Special Reserve	Fair Value Reserve	Subordinated Loans Reserve	Retained Earnings	Total Shareholder's Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1 st January 2017	160,450	17,193	18,905	988	-	(772)	50,000	27,122	273,886	-	273,886
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	25,331	25,331	-	25,331
Other comprehensive income for the year											
Net movement in fair value of available-for-sale investments, net of income tax											
Total other comprehensive income for the year	-	-	-	-	-	116	-	-	116	-	116
Issue of bonus shares for 2016	16,045	-	-	-	-	-	-	16,045	-	-	-
Dividends paid for 2016	-	-	-	-	-	-	-	(8,022)	(8,022)	-	(8,022)
Conversion of CCB to share capital	1,970	414	-	-	-	-	-	-	2,384	-	2,384
Issue of Perpetual Tier 1 Capital Securities	-	-	-	-	-	-	-	-	-	100,000	100,000
Issue expenses - Additional Tier 1 capital	-	-	-	-	-	-	-	(99)	(99)	-	(99)
Reserve for restructured loans	-	-	-	-	3,103	-	-	(3,103)	-	-	-
Transfers (1)	-	-	2,533	-	-	-	(50,000)	47,467	-	-	-
Balance as at 31st December 2017	178,465	17,607	21,438	988	3,103	(656)	-	72,651	293,596	100,000	393,596

Release of subordinated loans reserve on maturity and annual appropriation to legal reserve.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31st DECEMBER 2016**

(RO'000)

	Share Capital	Share Premium	Legal Reserve	General Reserve	Special Reserve	Fair Value Reserve	Subordinated Loans Reserve	Retained Earnings	Total Shareholder's Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1st January 2016	144,144	16,702	16,994	988	-	(7,208)	40,000	41,542	253,162	-	253,162
Total comprehensive income for the year											
Net profit for the year	-	-	-	-	-	-	-	19,112	19,112	-	19,112
Other comprehensive income for the year:											
Net movement in fair value of available-for-sale investments, net of income tax	-	-	-	-	-	6,436	-	-	6,436	-	6,436
Total other comprehensive income for the year	-	-	-	-	-	6,436	-	-	6,436	-	6,436
Dividends paid for 2015	-	-	-	-	-	-	-	(7,207)	(7,207)	-	(7,207)
Issue of bonus shares for 2015	14,414	-	-	-	-	-	-	(14,414)	-	-	-
Conversion of CCB to share capital	1,892	491	-	-	-	-	-	-	2,383	-	2,383
Transfers	-	-	1,911	-	-	-	10,000	(11,911)	-	-	-
Balance as at 31st December 2016	160,450	17,193	18,905	988	-	(772)	50,000	27,122	273,886	-	273,886

CHAPTER 8: RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank enters into transactions with certain of its directors, shareholders, senior management, Shari'ah supervisory board, Shari'ah reviewer and companies in which they have a significant interest. These transactions are conducted on an arm's length basis and are approved by the Bank's management and Board of Directors.

The aggregate amount of balances and the income and expenses generated with such related parties are as follows:

	* (RO'000)		
	31 st March 2019	2018	2017
Key management personnel			
Loans, advances and financing at the end of year	3,011	2,330	2,659
Loans disbursed during the year	890	165	590
Loans repaid during the year	(76)	(304)	(655)
Deposits at the end of the year	1,593	985	725
Deposits received during the year	355	410	1,348
Deposits paid during the year	(299)	(134)	(1,200)
Interest income during the year	6	99	133
Other related parties			
Loans, advances and financing at the end of year	48,899	84,058	6,158
Loans disbursed during the year	21,856	87,554	16,956
Loans repaid during the year	(4)	(4,462)	(14,212)
Deposits at the end of the year	4,032	7,963	10,165
Deposits received during the year	1,425	8,207	11,242
Deposits paid during the year	(555)	(3,621)	(13,562)
Interest income during the year	91	2,405	374

Interest expense during the year	5	48	556
Key management personnel compensation			
Salaries and other short-term benefits	1,608	4,147	2,977
Post-employment benefits	31	213	96
Directors' sitting fees and remuneration	158	184	199
Shari'ah Supervisory Board members	4	50	44

*Unaudited

The aggregate amount of balances and the income and expenses generated with shareholders holding 10% or more of the Banks' shares are as follows:

	(RO'000)		
Loans, advances and financing at the end of year	-	4,000	-
Loans disbursed during the year	-	4,000	5,580
Loans repaid during the year	-	-	(23,765)
Deposits at the end of the year	2,435	2,395	1,262
Deposits received during the year	40	2,009	18
Deposits paid during the year	-	(875)	(4,352)
Interest income during the year	-	42	62
Interest expense during the year	-	12	14

As at 31st March 2019, no loans to related parties are impaired (31st December 2018: nil; 31st March 2018: nil).

CHAPTER 9: RISK FACTORS AND MITIGANTS

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

The following risk factors are not comprehensive or exhaustive, as additional risks and uncertainties not presently known or that the Bank currently believes to be of minimal significance may also have an impact on the Bank and its proposed operations. If any of these uncertainties develop into an actual event, the Bank's proposed operations and actual results could differ materially from the financial projections contained in this Prospectus. It should also be noted that the Bank intends to undertake steps and/or measures necessary in order to mitigate the risks referred to below apart from those that may be caused by factors that are beyond the Bank's control, including, in particular, factors of a political and economic nature.

Applicants should consider carefully whether an investment in the Offer Shares is suitable for them in light of the information in this Prospectus and their individual circumstances.

1 RISK FACTORS SPECIFIC TO THE BANK

1.1 The Bank's business, financial condition, results of operations and prospects are and will continue to be affected by economic conditions and any deterioration in economic conditions in Oman could materially adversely impact the Bank

The Bank's business is focused on Oman and its results of operations are affected by economic conditions in Oman which, in turn, may be affected by regional and global economic conditions. At 31 December 2018, almost all of the Bank's credit risk exposure was to counterparties located in the Middle East, principally in Oman.

The economies of Oman and most other countries in the Middle East are dependent on oil and gas and related industries, as well as the prices and production quantities of these commodities. For example, oil and gas revenues accounted for a major input to Omani GDP. Oil and gas prices have, however, been volatile in recent years. The OPEC Reference Basket annual average crude oil price was in excess of US \$100 in each of 2011, 2012 and 2013. However, in 2014, the annual average price was US \$96.29, with prices falling sharply in the second half of that year. The average near month WTI Crude Oil Futures contract price for January to December 2016 was US \$42.97 and the average near month WTI Crude Oil futures price for July 2017 was US \$47.62. The average near month WTI Crude Oil Futures contract price for January to December 2018 was US \$62.54 and the average near month WTI Crude Oil futures price for December 2018 was US \$49.17 (data source: Bloomberg). OPEC Reference Basket price movements are shown solely to illustrate the historic volatility in international crude oil prices and no implication is intended that the Bank's revenue from crude oil production is directly linked to the price of the OPEC Reference Basket.

If the current low crude oil prices are sustained for a significant period, this will likely have a significant

adverse impact on Oman's economy and its revenues and financial condition. These effects would be likely to materially adversely affect the Bank by:

- reducing the demand from its customers for financing and by adversely affecting the quality of its outstanding financing, thus potentially increasing its impairment losses and so reducing profitability; and/or
- causing certain large depositors of the Bank to withdraw their deposits (in whole or in part) to address their own liquidity needs, resulting in the Bank having to source alternative and more expensive sources of funding. See also Risk Factor 1.3 below and Risk Factor 1.9.

In addition, to the extent that low oil prices have a negative impact on the Government's spending, this could affect the Bank's financial condition indirectly through its impact on the oil and gas, banking, trade, construction, real estate and tourism sectors in particular. Further, any reduction in Oman's revenues would reduce the likelihood and/or extent of Government financial support being available to Omani banks, including the Bank, should such support be needed in the future.

Mitigant: Relatively improved crude oil prices, ongoing fiscal reforms and satisfactory financial performance of the Bank.

1.2 The Bank is exposed to credit risk and has a significant customer concentration of credit risk

Risks arising from adverse changes in the credit quality and recoverability of loans, securities and amounts due from counterparties are inherent in a wide range of the Bank's businesses, principally in its lending and investment activities. In particular, the Bank is exposed to the risk that borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. The Bank continuously reviews and analyzes its loan portfolio and credit risks, and the Bank assesses its potential losses on loans based on, among other things, its analysis of current and historical delinquency rates and loan management and the valuation of the underlying assets, as well as numerous other management assumptions. However, these internal analyses and assumptions may give rise to inaccurate predictions of credit performance, particularly in a volatile economic climate.

Credit losses could also arise from a deterioration in the credit quality of specific borrowers, issuers and other counterparties of the Bank, or from a general deterioration in local or global economic conditions, or from systemic risks within financial systems, any or all of which could affect the recoverability and value of the Bank's assets and require an increase in the Bank's provisions for the impairment of loans, securities and other credit exposures.

The Bank's credit risk is increased by concentrations of risk. The Bank has significant customer risk concentrations. For example, the Bank's top 20 customer loan exposures at 31st March 2019 amounted to 26.22% of its total customer loan, advances and financing and the Bank's top 10 customer loan exposures at 31st March 2019 amounted to 15.93% of its total customer loan, advances and financing. In addition, the Bank has a significant geographic risk concentration. See Risk Factor 1.3 below. At 31st March 2019, the Bank had provided expected credit losses allowances amounting to RO 1.6 million and carried total impairment allowances of RO 78.224 million on its loans and advances compared to total impairment allowances of RO 48.155 million at 31st March 2018. Any failure by the Bank to maintain the quality of its assets through effective risk management policies could lead to higher loan loss provisioning and result in higher levels of defaults and write-offs. In addition, the CBO may, at any time, amend or supplement its guidelines and require additional provisions to be made in respect to the Bank's loan portfolio if it determines (acting in its role as the prudential regulator for the Omani banking sector) that it is appropriate to do so. If any additional provisions are required to be made, then depending on the exact quantum and timing, such provisions could have an adverse impact on the Bank's financial performance. See also Risk Factor 1.4 below.

Mitigant: The non-performing loans as of 31st March 2019 were 3.22% (31st March 2018 non-performing loans were 2.17%) of the gross loans. The Bank continuously reviews and analyzes its loan portfolio and credit risks.

1.3 The Bank's customer loans, advances and financing and its deposit base are concentrated in the Middle East, principally Oman

The Bank's customer deposits constituted 69.72% of its total liabilities at 31st March 2019 and 66.07% of its customer deposits at 31st March 2018 had been accepted from Omani counterparties. At 31st March 2019, the Bank's top 20 customer deposits constituted 52.13% of its total customer deposits and its top 10 customer deposits constituted 41.96% of its total deposits.

Any withdrawal of a significant portion of these large deposits (which is more likely to occur at times when Government revenues are under pressure) could have a material adverse effect on the Bank's business, results of operation and financial condition, as well as its ability to meet CBO regulations relating to liquidity. Any such withdrawal could require the Bank to seek additional sources of funding (whether in the form of deposits or wholesale funding), which may not be available to the Bank on commercially acceptable terms or at all. Any failure to obtain replacement funding would be likely to negatively impact the Bank's ability to maintain or grow its loan portfolio or otherwise increase its overall cost of funding, any of which could have a material adverse effect on its business.

1.4 A significant decrease in the quality of the Bank's customer loans, advances and financing could materially adversely affect its business

The Bank's non-performing loans (NPLs, defined as loans in respect of which payments of interest, principal or other amounts are more than 90 days in arrears) were RO 78.224 million at 31st March 2019 compared to RO 48.155 million at 31st March 2018 and RO 35.456 million at 31st March 2017. The Bank's NPL ratio (defined as the ratio of NPLs to total gross customer loans, advances and financing) amounted to 3.2% at 31 March 2019 compared to 2.2% at 31st March 2018 and 1.8% at 31st March 2017.

Any significant future deterioration in the Bank's portfolio of customer loans advances and financing could result in increased impairments and thus materially adversely affect its business.

Mitigant: The Bank has put in place a system of portfolio rating of its corporate portfolio and the portfolio rating has remained stable at medium risk.

1.5 The Bank's credit risk may be increased by the fact some of its debtors are unable or unwilling to provide the quality and quantity of financial data sought by the Bank and by limitations on its ability to enforce security in Oman

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

Unavailability of adequate quantity or quality of financial data in respect of some of its debtors may result in the Bank's failure to accurately assess the financial condition and creditworthiness of its debtors, leading to an increase in impairment allowances, particularly at times when economic conditions deteriorate.

The practice of mortgaging or pledging assets (such as share pledges or legal mortgage security over real estate assets) to obtain a bank loan is subject to certain limitations and administrative restrictions under

Oman law. As a result, security over certain assets may not be enforced in Omani courts. Furthermore, there are no self-help remedies available to creditors in an enforcement scenario under Omani law and therefore recourse is only available through a formal court process. Accordingly, the Bank may have difficulty foreclosing on collateral (including any real estate collateral) or enforcing guarantees or other third party credit support arrangements when debtors default on their loans.

In addition, even if such security interests are enforceable in Omani courts, the time and costs associated with enforcing security interests in Oman may make it uneconomic for the Bank to pursue such proceedings, adversely affecting the Bank's ability to recover its loan losses. Even in the event that the Bank acquires real estate assets as a result of enforcement of security, the Banking Law of Oman requires the Bank to dispose of the real estate within 12 months of it being acquired unless an extension has been obtained from the CBO, which could result in the Bank being required to sell the assets at a time when their market price is depressed or otherwise being unable to realize the full value of the assets concerned.

Mitigant: This risk is mitigated by regulatory stipulation that all borrowers with exposure of RO 250,000 from the Bank or RO 500,000 from the banking system has to submit audited financials before the close of 120 days from the financial year end.

1.6 The Bank is exposed to declining property values in Oman on the collateral supporting its retail and wholesale loans secured by mortgages over real estate

Mitigant: At 31st March 2019, the existing loan portfolio of the Bank was well covered against expected losses through adequate provisions with coverage ratio (provisions to non-performing loans) of 53.03% (116.39% including Stage 1 and Stage 2 provisions).

1.7 The Bank has significant credit-related contingent liabilities and commitments that may lead to potential losses

The Bank issues irrevocable loan commitments, guarantees and letters of credit, all of which are accounted for off the Bank's balance sheet until such time as they are actually funded or cancelled. Although these commitments are contingent, they nonetheless subject the Bank to both credit and liquidity risks. Although the Bank anticipates that only a portion of its obligations in respect of these commitments will be triggered and funds itself accordingly, the Bank may need to make payments in respect of a greater portion of such commitments than it anticipated, particularly in cases where there has been a general deterioration in market conditions. This would result in the Bank needing to obtain additional funding, potentially at relatively short notice, which could have an adverse effect on its business. At 31st March 2019, the Bank had RO 500 million in such contingent liabilities outstanding, equal to 17.07% of its combined customer loans, advances and financing and contingent liabilities.

Mitigant: The underwriting standards adopted for non-funded exposures are the same as that of funded exposures in the Bank eliminating increased credit risk for contingent liabilities.

1.8 The Bank could be adversely affected by the weakness or the perceived weakness of other financial institutions and counterparties, which could result in significant systemic liquidity problems, losses or defaults. Exposures to overseas entities from Treasury is limited to very short tenors under a month. In addition, to address liquidity, most of our funding is sought to be longer term such as one year borrowing and syndicated funding for three years.

Against the backdrop of constraints on liquidity and the high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions that became most evident following the bankruptcy of Lehman Brothers in 2008, the Bank is subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the

financial services industry, the default of any one institution could lead to significant losses, and potentially defaults, by other institutions. As was experienced in 2008 and 2009, concerns about, or a default by, one institution could also lead to significant liquidity shortages, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions is closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Bank or other institutions. This risk, often referred to as "systemic risk", may also adversely affect other financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with whom the Bank interacts on a daily basis. Systemic risk, should it materialize, could have a material adverse effect on the Bank's ability to raise new funding and on its business and prospects.

Mitigant: The Bank is currently adopting long-term financing strategy to avoid short-term liquidity problems and well diversified counterparties within the region and outside the region in our portfolio. The Bank is diversifying more through syndicated sources of funding, which is more stable. This mitigates risk of weakness of counterparties and their failure, and the Bank is continuously seeking to attract more commitment lines to support liquidity and enhance reserves in the form of highly liquid sovereign assets.

1.9 The Bank is subject to the risk that liquidity may not always be readily available or may only be available at significant cost

Liquidity risk is the risk that the Bank will be unable to meet its obligations, including funding commitments, as they become due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. Credit markets worldwide experienced a severe reduction in liquidity in the final quarter of 2008 and the first half of 2009. Since then, market conditions have been volatile with financial institutions continuing to experience periods of reduced liquidity.

The perception of counterparty risk between financial institutions has also increased significantly since the final quarter of 2008, which has led to reductions in certain traditional sources of liquidity, such as the debt markets, asset sales and redemption of investments. The Bank's access to these traditional sources of liquidity may be restricted or available only at a higher cost.

In addition, uncertainty or volatility in the capital and credit markets may limit the Bank's ability to refinance maturing liabilities with long-term funding or increase the cost of such funding. The Bank's access to any additional financing it may need will depend on a variety of factors, including market conditions, the availability of credit generally and to borrowers in the financial services industry specifically, and the Bank's financial condition, credit ratings and credit capacity.

The Bank has historically relied on customer deposits, which are mainly short-term in nature, to meet most of its funding needs. The availability of deposits is subject to fluctuation due to factors outside the Bank's control, including possible loss of confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time. At 31st March 2019, approximately 38.21% of the Bank's total deposits (including amounts due to banks and other money market placements) had remaining maturities of three months or less or was payable on demand and approximately 27.26% had remaining maturities of one year or less or was payable on demand. In addition, the Bank is reliant on certain large deposits from a limited group of government-related and private sector corporate customers. See Risk Factor 1.3 above.

If a substantial portion of the Bank's depositors withdraw their demand deposits or do not roll over their time deposits at maturity, the Bank may need to seek other sources of funding or may have to sell assets to meet its funding requirements. There can be no assurance that the Bank will be able to obtain additional funding

as and when required or at prices that will not affect the Bank's ability to compete effectively and, if the Bank is forced to sell assets to meet its funding requirements, it may suffer material losses as a result. In extreme cases, if the Bank is unable to refinance or replace such deposits with alternative sources of funding to meet its liquidity needs, through deposits, the interbank markets, the international capital markets or through asset sales, this would have a material adverse effect on the Bank's business and prospects and could, potentially, result in its insolvency.

Mitigant: The Bank has established diversified clientele base spread across different types of customers, network of relations with other banks, both locally and internationally, to mitigate this risk. Furthermore, the Bank maintains liquid assets at prudent levels to ensure that cash can be made available quickly to honour its obligations, even under stressed conditions. To further address liquidity risk, the Bank's management has established Liquidity Contingency Policy, and well established ALCO policy. Bank maintains a statutory deposit with the CBO and has a range of credit lines from banks and financial institutions.

1.10 The Bank is subject to extensive regulation and compliance with changes in, or the interpretation and enforcement of, this regulation may be costly and any failure by the Bank to comply with this regulation may result in the application of penalties to the Bank

The Bank is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. These controls include laws and regulations promulgated by the CBO, the CMA and the MSM.

In addition, in order to carry out and expand its businesses, it is necessary for the Bank to maintain or obtain a variety of licenses, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licenses, permits, approvals and consents are often lengthy, complex, unpredictable and costly. If the Bank is unable to maintain or obtain the relevant licenses, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired.

Changes in applicable regulations (including new interpretations of existing regulations) may also increase the Bank's cost of doing business. It is not always possible for the Bank to anticipate when a new regulation will be introduced by the Omani authorities. This creates a risk that the Bank's profitability may be adversely affected as a result of it being unable to adequately prepare for regulatory changes. In addition, increased regulations or changes in laws and regulations and the manner in which they are interpreted or enforced may have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The Bank is also required to comply with applicable know your customer, anti-money laundering and counter-terrorism financing laws and regulations, including those related to countries subject to national or international sanctions, and applicable anti-corruption laws in the jurisdictions in which it conducts business. To the extent that the Bank fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged, with consequent adverse effects on its business and prospects. Furthermore, non-compliance by the Bank with any applicable regulations could expose the Bank to potential liabilities and fines, which may be significant.

Mitigant: The banking regulator is expected to formulate policies that are aimed at improving the banking sector and its long term growth. Further, the Bank has a well-experienced management team to appropriately respond to such developments.

1.11 A negative change in the Bank's credit ratings could limit its ability to raise funding and may increase its borrowing costs

The Bank currently has long-term ratings of BB with a stable outlook from Fitch and BBB- with a stable

outlook from Capital Intelligence, Ba2 with negative outlook from Moody's ratings, which are intended to measure the Bank's ability to meet its debt obligations as they mature, are an important factor in determining the Bank's cost of borrowing funds.

The three rating agencies expressly note that the sizeable direct and indirect government shareholding in bank is a significant factor supporting the rating. On 21st March 2019, Fitch downgraded the ratings/outlook of a number of Omani banks, including the Bank, on the basis of its view that the Omani government's ability to support the banking system had weakened, principally as a result of the low oil prices.

However, it is important to note that the Omani government is under no obligation (contractual or otherwise) to support any Omani bank (including the Bank) and there is no certainty that the Government will do so in the future. As a result, investors should not rely on there being any such future support in making their investment decision.

A downgrade of any of the Bank's credit ratings, or a change in outlook to negative, may increase the Bank's cost of borrowing, which could adversely affect its business, financial condition, results of operations and prospects. A downgrade of either of the Bank's credit ratings (or announcement of a negative ratings outlook) may also limit the Bank's ability to raise capital. Moreover, actual or anticipated changes in the Bank's credit rating may affect the market value of the Offer Shares.

In addition, the credit rating assigned to the Bank may not reflect the potential impact of all risks related to an investment in the Offer Shares, the market or any additional factors discussed in this document, and other factors may affect the value of the Offer Shares. A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization and each rating should be evaluated independently of any other rating.

Mitigant: The last downgrade was on 21st March 2019 by Fitch, 17th April 2018 by Capital intelligence and 7th March 2019 by Moody's. No rating downgrade has happened since then.

1.12 The Bank may become subject to increasingly intense competition

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

The Oman banking industry is currently dominated by three banks which account for more than half of the total credit in the banking system. The Bank was the fourth largest bank in Oman by total assets, in the Omani banking system. Given the overlap in services offered and the customer base in Oman, it is possible that one or more of the Bank's competitors may choose to merge or consolidate their operations. The benefits which may result from such a merger or consolidation may enable the Bank's competitors to significantly enhance their financial resources, access to funding and product offerings.

Mitigant: Notwithstanding the above, the Bank keeps updated in the market environment, has studied the market and expected competition and has designed, and will continue to do so, appropriate products and services to meet the needs of the market in what the Board of Directors believes is the best possible manner.

The Bank has a track record of fast growth and is quickly establishing itself as a significant player in a brief time as can be observed from the short history of the Bank.

1.13 The Bank's financial condition and results of operations could be adversely affected by market risks, including volatility in interest rates, prices of securities and foreign exchange rates

The Bank's financial condition and results of operations could be affected by market risks that are outside its control, including, without limitation, volatility in interest rates, prices of securities and foreign exchange rates. Fluctuations in interest rates could adversely affect the Bank's financial condition and results of operations in a number of different ways. In particular, an increase in interest rates generally may decrease the value of the Bank's fixed-rate loans and the debt securities in its investment securities portfolio and may raise the Bank's funding costs. As a result, the Bank may experience a reduction in its net interest income interest rates are sensitive to many factors beyond the Bank's control, including the policies of central banks, such as the CBO and the U.S. Federal Reserve, political factors and domestic and international economic conditions.

The Bank's financial condition and results of operations may also be affected by changes in the market value of its investment securities portfolio. The Bank earns interest income on the debt securities comprised in the portfolio. It also realizes gains and losses on the sale of securities and records unrealized gains and losses resulting from the fair valuation of the securities at each balance sheet date in its statement of comprehensive income. The level of the Bank's income from its investment securities depends on numerous factors beyond the Bank's control, such as overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility. In addition, the fair value of the Bank's fixed rate investment securities changes in response to perceived changes in the credit quality of the issuers of the securities as well as changes in interest and currency exchange rates. For example, in an increasing interest rate environment the fair values of the Bank's fixed rate investment securities are likely to decline which could expose the Bank to fair valuation losses or losses on the sale of such securities. Similarly, a decline in the credit quality of any of the issuers of the debt securities held by the Bank could result in the Bank making impairments or write-offs in respect of those securities.

Adverse movements in foreign exchange rates may also adversely impact the revenue and financial condition of the Bank's depositors and borrowers which, in turn, may impact the Bank's deposit base and the quality of its exposures to certain borrowers. In general, the Bank aims to make foreign currency loans on terms that are generally similar to its foreign currency borrowings, thereby naturally hedging its exposure. Where this is not possible, it generally enters into derivative instruments to match the currencies of its assets and liabilities. Any open currency position is maintained within the limits set by the CBO. However, where the Bank is not hedged, it is exposed to fluctuations in foreign exchange rates and any hedging strategy that it uses may not always be effective. Any volatility in foreign exchange rates, including as a result of the re-fixing of the Rial-dollar exchange rate (or the elimination of that rate altogether), could have a material adverse effect on its business.

Mitigant: Interest rates in the market are a dynamic one arising out of macroeconomic factors, Bank's ability to raise liquidity at reasonable and competitive rates. This is coupled with the type of customers the Bank relies for funding, their trust in the Bank, and efficient pricing of the products. The Bank has a vibrant ALCO which takes stock of the interest rate risk of the Bank, ensuring smooth liquidity management, market risk management, and managing foreign exchange risk. Although the interest rates keep changing, ALCO ensures reasonable spread, (Net Interest Margins) by appropriate pricing of incremental business of the Bank, and is monitored on constant basis.

Foreign exchange risk: As a financial intermediary, the Bank is exposed to foreign exchange rate risk. The Bank is an active player in the foreign currency market in the country and is having all the challenges associated with the business. In general, the Bank aims to make foreign currency loans on terms that are

generally similar to its foreign currency borrowings, thereby naturally hedging its exposure. Where this is not possible, it generally employs cross currency forwards, options and swaps to match the currencies of its assets and liabilities. Any open currency position is maintained within the limits set by the CBO. Further, the Bank has matched most of the foreign currency liabilities with foreign currency assets, thereby reducing the gap and keeps the foreign currency related risks to the minimum.

1.14 Any failure of the Bank's information technology systems could have a material adverse effect on its business and reputation

The Bank depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Bank's business and operating data. The proper functioning of the Bank's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centers, are critical to the Bank's business and ability to compete effectively. The Bank's business activities would be materially disrupted if there is a partial or complete failure of any of these information technology systems or communications networks. Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Bank's control including hardware and software failures, natural disasters, extended power outages and computer viruses or other malicious intrusions.

The Bank relies on third party service providers for certain aspects of its business operations. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of the Bank's operations and could impact its reputation.

The proper functioning of the Bank's information technology systems also depends on accurate and reliable data and other system input, which are subject to human errors. Any failure or delay in recording or processing the Bank's transaction data could subject it to claims for losses and regulatory fines and penalties. The Bank has implemented and tested business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any failure may have a material adverse effect on the Bank's business and reputation.

Mitigant: The Bank has Business Continuity Management System (BCMS) in place that include framework, governance, policies and procedures. We have also established Business Continuity and Disaster Recovery sites that cover identified mission critical systems of the Bank. This will allow the Bank to recover its operations at a recovery site in case of a major incident that might affect its head office and other buildings. The BCMS is reviewed and updated on an annual basis to include all major changes and new critical systems and services in the scope of the BCMS.

1.15 The Bank's risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks

The Bank's risk management strategies and internal controls may not be effective in all circumstances and may leave the Bank exposed to unidentified or unanticipated risks. There can be no assurance that the Bank's risk management and internal control policies and procedures will adequately control, or protect the Bank against all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by the Bank's risk management systems. Some of the Bank's methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could be significantly greater than historical measures indicate. In addition, certain risks could be greater than the Bank's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Bank operates, its clients or other matters that are publicly available or information otherwise accessible to the Bank. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Any material deficiency in the Bank's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Bank's business.

Mitigant: The Bank has a robust risk management system involving Board oversight through policies, Board level Committees, Management Committees and independent Risk Management Department. This ensures that the known risks are mitigated effectively. Bank is maintaining regulatory capital. Further, the Bank has taken insurance cover for all possible and foreseen risks.

1.16 The Bank's ability to manage operational risks is dependent upon its internal compliance systems, which might not be fully effective in all circumstances

Operational risks and losses are the result due to lack of or inadequate process, systems and people. Examples are fraud, error by employees, failure to document transactions properly or to obtain proper internal authorizations, failure to comply with regulatory requirements and business rules, failure of internal systems, equipment and external systems and the occurrence of natural disasters. Although the Bank has implemented risk controls and loss mitigation strategies and substantial resources have been devoted to developing efficient procedures, it is not possible to eliminate in their entirety any of these or any other operational risks.

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

- the Board level oversight through approved Policies, Board level Risk Management Committee
- at management level, Bank has an Operational Risk Management Committee
- the Bank has established Standard Operating Processes (SOP) for all business operations
- the Bank has robust IT systems that support business activities. This system is secured for transactions, data maintenance, secrecy and having Disaster Recovery capabilities
- the Bank has competent people resource to handle various businesses and operations. Knowledge levels of the people are kept updated through regular training and workshops
- risk mitigants like insurance, outsourcing, etc., are resorted to reduce the Operational risk.

1.17 The Bank may need to raise further capital in the future for a variety of reasons and such capital may be difficult to raise when needed

At 31 March 2019, the Bank's Tier 1 Capital Adequacy Ratio and Total Capital Adequacy Ratio (each as determined in accordance with Basel III requirements as adopted by the CBO) were 16.83% and 18.68%, compared to the CBO's requirements of a minimum Tier 1 Capital Adequacy Ratio of 11.50% and a minimum Total Capital Adequacy Ratio of 13.50%.

A variety of factors affect the Bank's capital adequacy levels, including, in particular, changes in its risk weighted assets and its profitability from period to period. A significant increase in lending in the future is likely to reduce the Bank's capital adequacy ratios and any future losses experienced by it would have a similar effect. In addition, regulatory requirements in relation to the calculation of capital adequacy and required

levels of capital adequacy change from time to time. The Bank may also need to increase its capital as a result of market perceptions of adequate capitalization levels and the perceptions of rating agencies. The Bank has taken full Capital Conversion Buffer in order to comply with the regulatory required total capital adequacy ratio of 13.50%.

As a result, the Bank may need to obtain additional capital in the future. Such capital, whether in the form of debt financing or additional equity, may not be available on commercially favorable terms, or at all. Moreover, should the Bank's capital ratios fall close to regulatory minimum levels or the Bank's own internal minimum levels, the Bank may need to adjust its business practices, including reducing the risk and leverage of certain activities. If the Bank is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase.

Mitigant: The current risk management systems in place take care of any eventuality that will lead to inability to raise capital.

1.18 The Bank is exposed to reputational risks related to its operations and industry

All financial institutions depend on the trust and confidence of their customers to succeed in their business. The Bank is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation. The Bank's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it lends money or in which it has invested. In common with other banks, the Bank is also exposed to adverse publicity relating to the financial services industry as a whole. Financial scandals unrelated to the Bank or questionable ethical conduct by a competitor may taint the reputation of the industry and affect the perception of investors, public opinion and the attitude of regulators. Any damage to the Bank's reputation could cause existing customers to withdraw their business and lead potential customers to be reluctant to do business with the Bank. Any of these developments could have an adverse effect on the Bank's business.

Mitigant: The Bank has code of ethics and conduct rules to ensure quality services and to win the trust of customers, thus maintaining its image in the market.

1.19 The Bank may not be able to recruit and retain qualified and experienced personnel, which could have an adverse effect on its business and its ability to implement its strategy

The Bank's success and ability to maintain current business levels and sustain growth will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The market for such personnel in the Middle East is intensely competitive and the Bank could face challenges in recruiting and retaining such personnel to manage its businesses.

The Bank depends on the efforts, skill, reputation and experience of its senior management, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent the Bank from implementing its strategies. The Bank is also not insured against losses that may be incurred in the event of the loss of any member of its key personnel.

Mitigant: The Bank continues to review and align its compensation and benefit policy to effectively position itself in the market so that it can attract and retain the required talent. The Bank also has in place performance management process, staff development programs, staff reward and recognition schemes, annual promotional and salary reviews and staff CSR activities in order to create a better work environment and to increase staff engagement and retention.

1.20 The Bank could unintentionally report incomplete or inaccurate information while adhering to IFRS as reported to investors, regulators and rating agencies

Accounting policies and methods are fundamental to how the Bank records and reports its financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods so that they comply with IFRS.

Management has identified certain accounting policies in its financial statements as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. See notes to the financial statements of the Bank. These judgments include, for example, the determination of impairment allowances and fair values of assets and liabilities.

A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or reducing a liability. The Bank has established policies and control procedures that are intended to ensure that these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Bank's judgments and the estimates pertaining to these matters, the Bank cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

Mitigant: The Bank's accounting policies and internal controls are critical to the accurate reporting of its financial position and results of operations. These policies and internal controls also cover instances where management is required to make estimates about matters that are uncertain. These are approved at Board level and reviewed annually by both the internal and external auditors.

2 RISKS RELATING TO OMAN

2.1 The Omani legal system continues to develop and this may create an uncertain environment for investment and business activity

Oman and many of the GCC countries are in various stages of developing their legal and regulatory institutions that are characteristic of more developed markets. 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 the legal system in Oman may have a material adverse effect on the investments that the Bank has made or may make in the future.

2.2 The statistical data contained in this document should be treated with caution by prospective investors

Statistics contained in this document, including in relation to GDP, balance of payments and revenues of the government, have been obtained from governmental and other sources, including the CB and the IMF. Such statistics, and the component data on which they are based, may not have been compiled in the same manner as data provided by other sources and may be different from statistics published by other parties, reflecting the fact that the underlying assumptions and methodology may vary from source to source.

There may also be material variances between preliminary, estimated or projected statistics set forth in this document and actual results, and between statistics set forth in this document and corresponding data previously published by or on behalf of Oman. Consequently, the statistical data contained in this document should be treated with caution by prospective investors.

CHAPTER 10: CORPORATE GOVERNANCE

Shareholders

The table below shows the Bank's 10 largest Shareholders:

As on 31 st March 2019		
Shareholder Name	Number of Shares	Holding %
Oman Investment and Finance Company SAOG	304,714,636	15.37
Royal Court Affairs	288,852,420	14.57
Seventh Moon Investment LLC	178,993,894	9.03
Neptune National Investment Company LLC	154,860,270	7.81
Oman Investment Fund	150,710,251	7.60
State General Reserve Fund	86,042,596	4.34
MARS Development and Investment LLC	83,782,575	4.23
Sultan Special Forces Pension Fund	64,949,251	3.28
State General Reserve Fund - Treasury Fund 2	44,864,902	2.26
Royal Guard of Oman Pension Fund	44,244,778	2.23

Corporate governance framework

The Bank's corporate governance philosophy has been developed within the directives and guidelines of CBO, the Capital Market Authority (including the Code) and the Commercial Companies Law and requires that the Board and management shall:

- maintain the highest standard of corporate governance and regulatory compliance
- promote transparency, accountability, responsiveness and social responsibility
- conduct their affairs with stakeholders, customers, employees, investors, vendors, government and society at large both fairly and in an open manner
- create an image of the Bank as a legally and ethically compliant entity.

Board

The Board is the highest governing authority within the Bank's structure. The Bank believes that its Board is broad-based and that the predominance of independent directors (as defined in the Code) enables the Board to have meaningful discussions and take an unbiased and qualitative view on matters placed before it.

The Board has overall responsibility for the Bank, including overseeing the implementation of its strategic objectives, risk strategy, corporate governance and corporate values. The Board also appoints the Bank's Chief Executive Officer and certain other members of the executive management team. It also monitors and oversees the actions of the executive management team, including their performance against the performance targets set by the Board.

The roles of the Board Chairman and the Chief Executive Officer are separate and independent of one another and there is a clear segregation of duties and responsibilities. The Chairman's responsibilities include ensuring that Board decisions are taken on a sound and well-informed basis, building a constructive relationship between the Board and executive management and ensuring high levels of corporate governance within the Bank.

There is a clear segregation between the ownership of the Bank and the management.

Powers of the Board

The Board shall have full authority to perform all acts required for the management of the Bank pursuant to its objects. Such authority shall not be limited or restricted except as provided by law or by the Articles of Association or by a resolution of the Shareholders. Some of the principal functions of the Board include:

- To approve the Bank's commercial and financial policies together with its estimated budget with a view to achieving the objects of the Bank and to maintain and promote the rights of its Shareholders
- To develop, review and update necessary plans from time to time in order to put into operation the Bank's objectives and carry out its activities in the light of the purpose underlying its establishment
- To adopt the Bank's disclosure measures and to follow up the implementation thereof in accordance with the disclosure rules and guidelines issued by CMA
- To supervise the performance of the executive management and to ensure that the work proceeds in a manner which achieves the Bank's objectives in the light of the purpose underlying its establishment
- To review the material transactions with the related parties, which are not in the ordinary course of business prior to the same being brought before the general meeting of the Bank
- To review the Bank's performance to evaluate whether the business is being properly managed
- To nominate the members of the subcommittees and specify their roles, responsibilities and power
- To provide accurate information to the Shareholders on the dates specified by CMA in the disclosure rules and guidelines
- To appoint the Chief Executive Officer or the General Manager provided that neither of them shall be the Chairman of the Board of Directors and to appoint staff who shall work with any of them pursuant to the organizational structure of the Bank and to specify their rights and duties
- To appraise the performance of the employees mentioned in the previous item and to assess the work carried out by the committees formed by the board pursuant to Article 102 of the Commercial Companies Law

- K. To approve the financial statements related to the Bank's business and work results as submitted to the executive management to the Board quarterly, in a way which reflects the exact financial position of the Bank
- L. To include in the annual report presented to the General Meeting the reasons which justify the ability of the Bank to pursue its specified activities and the achievement of its objectives
- M. To appoint a Secretary to the Board in its first meeting and to hold four meetings per annum provided that a maximum period of four months should not lapse between two consecutive meetings
- N. To include in the financial statements a full statement of all amounts which a director might have received during the course of each year including money paid to directors in their capacity as employees of the Bank.

CBO has also outlined the responsibilities of the Board of Directors of a licensed bank and some of the key aspects of these responsibilities include:

- a) The Board shall exercise its collective mind independently on all policy matters and shall not be limited by the submissions or presentations made to it.
- b) The Board shall ensure that it has an organizational structure in place to provide adequate checks and balances and functionality for guarding licensed banks from the undue influence of any internal and external sources having a bearing on corporate governance.
- c) The Board shall recruit and develop talented and capable senior management who will enjoy the Board's confidence. It is of crucial importance for the Board to have in place a well-thought-out management succession plan.
- d) It is the responsibility of the Board to approve and monitor a risk management framework that reflects best practices and implements the risk management strategies approved by the Board, across all business activities and operations.
- e) While the Board depends on the management's expertise to run the Banks' daily operations, it remains ultimately responsible for monitoring thereof. The Board is expected to exercise utmost caution to ensure that, while bearing of ultimate responsibility for monitoring operations, it does not overstep into the jurisdiction of the management (constricting their freedom of operation).

The Board of Directors shall not perform the following acts unless expressly authorized to do so by the Articles of Association or by a resolution of an ordinary general meeting:

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

The Board of the Bank abides by and complies with all these legal and regulatory requirements. The Bank shall be bound by all acts performed by its Board of Directors, its Chairman, Chief Executive Officer and all other executives, (if any) as long as they act in the name of the Bank and within the scope of their powers.

Composition of the Board

The Board comprises seven members elected in the Annual General Meeting held on 31st March 2019. Details of the current Board members are as follows:

Name of Director	Capacity	Category	Represents
Mr. Mohammed Mahfoudh Al Ardhi Chairman	Non-Executive	Independent	
Mr. Abdullah Salim Al Harthy Deputy Chairman	Non-Executive	Independent	
Mr. Salim Mohamed Al Mashaikhy	Non-Executive	Independent	
Mr. Said Ahmed Safrar	Non-Executive	Independent	
Mr. Tariq Mohammed Al Mugheiry	Non-Executive	Independent	
Mr. Bipin Dharamsey Nensey	Non-Executive	Independent	
Engr. Hamed Ahmed Al Subhi	Non-Executive	Non - Independent	Oman Investment & Finance Company SAOG

Brief profile of Directors

Mr. Mohammed Mahfoudh Al Ardhi

Mr. Al Ardhi joined Sohar International Bank as the Chairman in December 2017. Mr. Al Ardhi is also the Executive Chairman of the global investment firm Investcorp.

A retired Air Vice Marshal by profession, Mr. Al Ardhi joined the Royal Air Force of Oman in 1978, and was subsequently appointed as Chief of the Omani Air Force. In 2000, he was awarded the "Order of Oman" by His Majesty Sultan Qaboos bin Said Al-Said.

Mr. Al Ardhi is the former Chairman of the National Bank of Oman where he served for three years as Deputy Chairman and three years as Chairman of the Board.

Mr. Al Ardhi holds a Bachelor of Science degree in Military Science from the Royal Air Force Staff College in Bracknell, UK and a Master's in Public Administration from John F. Kennedy School of Government, Harvard University USA. He also graduated from the prestigious US military institution the National Defense University in Washington D.C., USA. after studying military strategy.

Mr. Al Ardhi regularly speaks on international trade, the relationship between the Middle East and the West and the security of the Gulf. He is also the author of three books: "Arabs Down Under", "Pearls from Arabia" and "Arabs Unseen".

Current affiliations:

- International Advisory Board of The Brookings Institution in Washington, D.C.
- Trustee for the Eisenhower Fellowship in Philadelphia
- Member of Community Chairmen Group, World Economic Forum

- Member of Harvard Kennedy School Dean's Council
- Member of The Arab Gulf States Institute in Washington

In addition to his position as the Chairman of the Board of Directors at Sohar International Bank, he also holds the position of the Chairman of the Executive Nomination and Remuneration Committee (ENRC).

Mr. Abdullah Salim Al Harthy

Mr. Abdullah Al Harthy is Chief Financial Officer of State General Reserve Fund (SGRF) and leads the finance and investment operations. With his role, Mr. Al Harthy is also responsible for overseeing strategic planning, and information technology departments. With over 17 years of career with SGRF, Mr. Al Harthy occupied several positions in the investment and business strategy departments. In 2010, he headed the Business Strategy unit which developed the fund's asset allocation framework, built economic research capabilities in addition to managing internal and external portfolio mandates. From 2005, he has engaged in many initiatives aimed at setting up investment platforms including joint ventures in Vietnam and Brunei. Mr. Al Harthy is currently Vice Chairman of Muscat National Development and Investment Company (ASSAS) and Al Khawthar Fund, which invest in securities listed in GCC markets.

Mr. Al Harthy holds a Master of Business Administration (MBA) from IMD Business School, Switzerland and a Bachelor's degree in finance from Sultan Qaboos University in 2001. He is a Chartered Financial Analyst (CFA) since 2004, and a member of the CFA Institute.

At Sohar International, he is the Chairman of the Board Audit Committee and is a member of the Board Risk Committee.

Mr. Salim Mohammed Al Mashaikhy

Mr. Salim Mohamed Masaud Al Mashaikhy holds a Bachelor's Degree in Mathematics. He is currently employed in the Expenditure Department of the Royal Court Affairs. He is the Deputy Chairman of Oman Fixed Income Fund and is also a member of the Izdihar Fund.

At Sohar International Bank, he is a member of the Board Audit Committee and the Board Risk Committee.

Mr. Said Ahmed Saifar

Mr. Said Ahmed Saifar holds an MBA from the University of Hull in the UK, a Business Management Diploma from King's College Bournemouth in the UK and a Specialized Diploma from the Arab Academy for Banking and Financial Science in Jordan.

Mr. Saifar has over 24 years of experience in the Banking and Telecommunications Sector. He is a Board member of The Financial Corporation (FINCORP) and Dhofar Power. Currently Mr. Saifar holds the position of Chief Executive Officer of Oman Investment & Finance Co. SAOG.

In addition to the above, Mr Saifar is a member of two Board subcommittees viz; Executive Nomination & Remuneration Committee and Credit Approval Committee.

Engr. Ahmed Hamed Al Subhi

Engr. Ahmed Hamed Al Subhi holds an MBA and Honors Degree in Electrical Engineering. Currently, he is the Chairman of ACWA Power Barka SAOG.

Engr. Ahmed Al Subhi is widely recognized in the power generation and desalination industry; he was actively involved in developing and implementing of Mega Independent Power and Desalination Project

and other projects in the region. Engr. Al Subhi has been involved in many transformations and restructuring of private companies based on his substantial operational experience of working with many multinational organizations.

He was the Chairman of Oman Investment & Finance Co. SAOG from January 2014 till June 2017 and is currently on the board of Voltamp Energy SAOG.

At Sohar International Bank, he is the Chairman of the Board Risk Committee and a member of the Board Audit Committee.

Mr. Tareq Mohammed Al Mugheiry

Mr. Tareq Mohammed Al Mugheiry is the Chief Investment Officer of Oman Investment Corporation SAOC (OIC). Prior to joining OIC, Mr. Al Mugheiry worked with a number of international companies including: Philips Electronics in corporate strategy and mergers & acquisitions; J.P. Morgan in investment banking covering the European technology sector; and Oman LNG's project finance team. He holds a Bachelor of Law and Bachelor of Commerce from the University of Western Australia. Mr. Al Mugheiry serves on the boards of Innovation Development Oman, Takaful Oman Insurance, Sembcorp Salalah O&M Company and TMK GIPI.

At Sohar International Bank, he is a member of the Executive Nomination & Remuneration Committee and the Credit Approval Committee.

Mr. Bipin Dharamsey Nensey

Mr. Bipin Dharamsey Nensey holds a Bachelor's Degree in Accounting and Finance. He is the Director of Dharamsey Nensey Company since 1977. He is currently Independent Non-Executive Director of Al Suwadi Power Company SAOG as well as Muscat Insurance Company SAOG since 14th July 2007. He served as the Vice Chairman of one of the local banks for over 15 years.

At Sohar International Bank, he is a member of the Credit Approval Committee.

Board Committees

Article 4 of CBO Circular BM 932 permits the board of directors of licensed banks to set up subcommittees of its members with "comprehensive terms of reference, specifying purpose, membership, delegation, powers, frequency of meetings, tenure, duties, responsibility, authority, accountability, etc." CBO Regulation "BM/REG/42/11/97" (Article 3 (c)) also provides that the board of directors may delegate part of its functions either to a committee comprising some of its members and/or that of executive management who are required to submit their decisions to the board of directors for ratification. Final responsibility shall rest with the board of directors.

The Board has created various subcommittees for specific purposes with clearly defined terms of reference and responsibilities. The Committees' mandate is to ensure focused and specialized attention to specific issues related to the Bank's governance. The various subcommittees of the Board together with the Internal Audit and Compliance department form an important tool in the process of corporate governance. These subcommittees were re-structured with effect from April 27th, 2011 and are as follows:

Audit Committee

The main functions of Audit Committee are to assess and review the financial reporting system of the Bank to ensure that the financial statements are correct, sufficient and credible. The Committee reviews with the

Management the quarterly/annual financial statements before their submission to the Board for adoption. The Committee also reviews the adequacy of regulatory compliance, regulatory reporting, internal control systems structure of internal audit departments, and compliance their staffing and holds discussions with the internal/external auditors on significant finding and the control environment.

Members -

Mr. Abdullah Salim Al Harthi

Engr. Ahmed Hamed Al Subhi

Mr. Salim Mohamed Al Mashaikhy

Executive, Nomination & Remuneration Committee

The Committee assists the Directors to discharge the Board's responsibilities of oversight and governance in relation to: (1) General performance aspects of the Bank such as strategy setting and implementation, banking business, annual budget recommendations, information technology and generally to assist the Board in reviewing business proposals and other related issues that require detailed study and analysis and make necessary recommendations to the Board, prior to a Board decision and (2) HR, Nomination and Remuneration issues such as to provide direction and guidance that enables the bank to have the right Chief Executive Officer and Senior Management team; to provide direction and guidance that enables the Bank to ensure that this team operates under a Human Resources Policy which is fair, transparent, ethical, complies with regulations and is competitive and in alignment with business strategy; to closely liaise with the Chief Executive Officer and senior management of the Bank to provide the required guidance and support; to ensure that the Bank continues to have a Human Resources Strategy and that is implemented to support Bank's Business Strategy; to provide direction and support to the Bank to ensure the commitment to the Shareholders and their interests are protected with regard to overall people management in the Bank and to assist the general meeting of the Shareholders in the nomination of proficient directors and the most fit for purpose.

Members -

Mr. Mohammed Mahfoudh Al Ardhi

Mr. Said Al Safrar

Mr. Tareq Mohamed Al Mugheiry

Mr. Abdullah Salim Al Harthy

Credit Approval Committee

The Credit Approval Committee assists the Directors to discharge the Board's responsibilities of oversight and governance in relation to the credit performance of the Bank. In this role, the Committee is responsible for approving loans which are above the lending mandate of the CEO.

The Committee is responsible to review loan proposals forwarded to them by the CEO or his senior lending management team on a case-by-case basis and accept or reject such proposals as they so determine.

Members -

Mr. Said Ahmed Safrar

Mr. Tareq Mohamed Al Mugheiry

Mr. Bipin Dharamsey Nensey

Board Risk Committee

The Board Risk Committee assists the Directors to discharge the Board's responsibilities of oversight and governance in relation to the risk performance of the Bank. The Committee is responsible for making recommendations to the Board of Directors on the risk appetite of the Bank in relation to credit, interest rate, market, liquidity and operational risk.

The Committee ensures the implementation of risk strategy and policy in addition to ensuring that a robust risk framework is in place within the Bank which optimizes the quality and return on deployment of assets. The Committee also provides guidance and direction on all credit, market, interest rate, liquidity and operational risk policy matters.

Members -

Engr. Ahmed Hamed Al Subhi

Mr. Abdullah Salim Al Harthy

Mr. Salim Mohamed Al Mashaikhy

SHARI'AH SUPERVISORY BOARD

The role of the Bank's Shari'ah Supervisory Board is to ensure that all activities of Sohar Islamic are conducted in accordance with the principles of Shari'ah. The Board regularly reviews and monitors the products and transactions. The Bank's Shari'ah Supervisory Board comprises of three Islamic scholars, as follows:

Dr. Hussain Hamed Hassan

Honorable Dr. Hussain is a Professor of Shari'ah and Comparative Law at Cairo University, and he did his PhD in the Faculty of Shari'ah from Al Azhar University, Egypt and Master of Comparative Jurisprudence from University of New York, USA and graduated in Law and Economics from University of Cairo, Egypt, and he has an honorable PhD in Civil Law from Durham University in United Kingdom. He has over 50 years of experience in Islamic banking and is the Chairman of Shari'ah Supervisory Boards of more than 30 banks and financial institutions. He is also the author of more than 50 books and research papers, has written over 400 extensive articles and has also supervised the grand plan of translating 200 Islamic books into different languages. Additionally, he has successfully converted many conventional banks and financial institutions into Islamic ones.

Dr. Mudassar Siddiqui

Dr. Mudassar Siddiqui is an internationally renowned expert of Islamic Studies and Western laws. He did his PhD in Law from Chicago Kent College of Law, USA; Master of Law from Harvard Law School, USA and Islamic Studies from, Islamic University of Al-Madina Al-Munawwarah, Kingdom of Saudi Arabia. He is a member of the AAOIFI Shari'ah Standards Committee; the Fiqh Council of North America and a Research Fellow at the International Shari'ah Research Academy for Islamic Finance in Malaysia. He has more than 30 years of experience in providing Shari'ah and Law consultancy, Islamic banking documentation, research, lectures and arbitration for more than 40 worldwide organizations, universities and research centers.

Sheikh Azzan bin Nasir Farfoor Al Amri

Holding Bachelor's degree in Islamic Studies and with a specialization in Judiciary, Sheikh Azzan bin Nasir Farfoor Al Amri has been working as the secretary to the Grand Mufti of Oman in the Fatwa Section since 2001. He is also well versed in Shari'ah Law, having done numerous courses in relevant fields and participated in many related workshops and conferences.

Sheikh Fahad Al Khalili

Sheikh Al Khalili graduated from the Florida Atlantic University USA after which he joined the Central Bank of Oman. At CBO, he was part of the Treasury and Investment Division with the responsibility of managing billions of USD in the international markets.

Thereafter, Sheikh Al Khalili Al Madina Investment where he quickly became the Deputy General Manager of Investment Banking. At Al Madina Investment, he was instrumental in promoting and raising equity for several successful companies including Al Madina Takaful, Al Madina Real Estate, Tilal Fund and others. His key responsibilities included portfolio management, promotion of Greenfield Ventures and handling high net worth individuals.

Recently, Sheikh Al Khalili founded Bayan Investment House, which is focused on building long-term relationships by provided investment banking and advisory services.

Senior management

The Bank's senior management team is responsible for day-to-day supervision and control of the Bank's business, particularly with respect to ensuring functionality of compliance and risk control, independence of functions, and separation of duties. Business policies, accounting policies and operations procedures and controls are documented and communicated through policies and standard operating procedures manuals which cover all areas and activities of the Bank. All significant policies are reviewed and approved by the Board.

The Bank's senior management team comprises of:

Mr. Ahmed Jafar Al Musalmi Chief Executive Officer	<p>Mr. Ahmed Al Musalmi's distinguished career spans more than two decades and has included senior leadership roles at several organizations. His extensive banking experience covers Retail Banking and Wealth Management, Corporate Banking, SME, Trade Finance, Capital Markets, IT, HR and Strategy & Business Planning.</p> <p>Mr. Al Musalmi is the Deputy Chairman of Oman Bankers Association, a member of the College of Banking and Financial Studies' board, and is a committee member of the Bank Deposits Insurance Scheme (BDIS) at the Central Bank of Oman. He also sits on the boards of a number of prominent institutions including Oman Aviation Group, Special Economic Zone of Duqm (SEZAD), Majan College, and Oman Takaful.</p> <p>Mr. Ahmed Al Musalmi completed the Harvard Business School Advanced Management Program and holds an MBA with distinction from the University of Luton, UK as well as an International Diploma in Financial Services. He is a Chartered Market Analyst with Financial</p>
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	Analyst Designate, Chartered Portfolio Manager and Chartered Wealth Manager. He is a fellow of the American Academy of Financial Management and has attended a number of advanced programs including an intensive high performance leadership Program at the IMD business school in Switzerland.
Mr. Khalil Salim Al Hedaifi Chief Retail Banking Officer	Mr. Khalil Salim Al Hedaifi enjoys an experience of more than 18 years in banking business in general and the areas of Retail Banking, Wealth Management, Strategic Planning, Product Management, and People Management, in particular. Mr. Al Hedaifi holds an MBA qualification from Northampton University and his last position was the DGM – Deputy Chief Retail Banking Officer in one of the local banks.
Mr. Salim Khamis Al Maskry DGM & Head, Sohar Islamic	Mr. Salim Khamis Al Maskry joined the Bank in 2007 as AGM- Head of Branches. He has 29 years of experience in Branch Banking. Mr. Al Maskry has extensive knowledge and experience in Retail Business, Marketing Retail Products, and Branch Operations. He holds a Master of Business Administration through Hull University, a Diploma in Business English from Business Training Ltd. UK, a Diploma from the Institute of leadership and Management UK and holds a CIMA Certificate for Islamic Banking and Takaful Products. Prior to joining Sohar International Bank, he held several supervisory and senior managerial roles in Bank Muscat and Oman International Bank.
Mr. Mujahid Said Al-Zadjali DGM – IT & Alternate Channels	Prior to joining Sohar International Bank in 2006, Mr. Al-Zadjali had worked for Bank Dhofar. He is a pioneer in setting up Sohar International Bank's Information Technology Department (ITD). He was also instrumental in setting up state of the art technology with many accolades viz. first bank in the Sultanate with ISO/IEC 27001:2005 certification for ITD and fastest Core Banking System implementation which was recognized and awarded in the Banking Technology Award from London. Mr. Al-Zadjali holds a Bachelor's degree in Computer Science from India and had completed his higher studies in the United Kingdom (UK) to be a Masters holder in Business Administration from Luton University. He has over 20 years of experience in banking technology sector in Oman. He has also completed General Management Program from Harvard Business School, USA in 2013 and graduated the National CEO Program under the patronage of the Diwan of Royal Court in May 2017.
Mr. Khalid Khalfan Rashid Al Subhi AGM and Head of Compliance	Mr. Khalid Khalfan Rashid Al Subhi is the AGM & Head of Compliance. Before joining the service of Sohar International Bank, Mr. Khalid Al Subhi was associated with the Central Bank of Oman for the last 19 years' experience in banking. He has worked as a Bank Examiner conducting on-site examinations of banks and finance and leasing companies, including Islamic banks and the operations of Islamic banking windows. Mr. Khalid Al Subhi holds a Bachelor in Banking and Financial Sciences from Arab Academy for Banking and Financial Sciences.

Mr. Kamran Haider Sr. AGM & Head – Internal Audit	<p>Mr. Kamran Haider is a qualified Chartered Certified Accountant and Certified Internal Auditor with over 16 years of experience in the financial services sector. Before joining Sohar International Bank, he served as Deputy Head of Internal Audit of Alawwal Bank in the Kingdom of Saudi Arabia. Mr. Haider has previously worked at Big4 audit firms, such as KPMG in Saudi Arabia & Pakistan and PwC Ireland. Mr. Haider gained extensive experience of financial accounting, financial reporting, internal controls framework, Sarbanes-Oxley, internal audit, external audit, IFRS and group consolidation during his career.</p>
Mr. Karim Fayek Mohamed Sr. AGM & Head – Risk Management	<p>Mr. Karim Fayek Mohamed is a professional banker holding 18 years of experience in global banking and financial risk management, during which time he acquired expertise in both conventional and Islamic banking sectors across the GCC/MENAP regions.</p> <p>He has worked in the entire spectrum of Commercial, SMEs, Retail and Investment banking including Shari-ah compliant banking. He has diverse and extensive banking background, gleaned from a prodigious career that includes: Credit Risk Management, Operational Risk Management, Market Risk Management, Liquidity Risk Management, Assets-Liability Management, Business Continuity Management, Capital Planning, Risk Analytics & Frameworks, the articulation of Risk Appetite & Risk Regulatory Governance so as to transform and spread risk-based culture across organizations.</p> <p>His last held position was at Union National Bank (UNB) as a Senior Vice President – Head of Risk management Division. Mr. Karim Fayek Mohamed had done an MBA in Financial Management from the Arab Academy for Banking and Financial Sciences, and is currently finalizing a doctorate degree in Banking and Financial Systems Stability with ESLSA Business School, Paris, France.</p>
Mr. Abdulali Abdullah Al Lawati Sr. AGM & Acting Head, HR & Corporate Support	<p>Mr. Abdulali Al Lawati joined the Bank in 2008 with decades of experience in many management functions. He has 38 years of varied experience in Education, Administration, Corporate Governance, Corporate Support, IT and Management. He is currently heading the HR & Corporate Support Division and is involved in most of the strategic initiatives of the Bank.</p> <p>Abdulali completed his ILM IMQ Diploma in Management. He was subsequently awarded 'The Level 7 Diploma in Strategic Management and Leadership' from the Chartered Management Institute (CMI), UK and is a member and fellow of CMI. Due to his wide experience and exposure, he was involved in the Re-structuring, Implementation of Strategies and in Facilitating Change Management in the Bank. He is a certified Islamic Banker and was a part of the Islamic Banking Formation Committee.</p> <p>Considering his involvement in many aspects of business and his commitment and dedication, Mr. Abdulali Al Lawati was appointed as Acting Head – HR & Corporate Support after functioning as Senior AGM Corporate Support and Secretary to the Board for over 5 years.</p>

Mr. Craig Barrington Bell Chief Financial Officer	<p>Mr. Craig Barrington Bell joined Sohar International as Chief Financial Officer in January 2019 bringing with him over 25 years of banking experience, 15 of which have been in CFO roles with HSBC and Deutsche Bank including three years as CFO of the Saudi British Bank. Mr. Bell has extensive finance background and deep experience of managing complex international businesses across dynamic and changing markets. Commencing his banking career with Citibank in 1985, Mr. Bell has a plethora of technical and management skills in financial and regulatory reporting, management reporting, financial analytics, system infrastructure & controls, balance sheet management, strategic planning, investor relations and tax. Prior to joining Sohar International, Mr. Bell served for over 2 years as CFO with Al Hilal Bank (Abu Dhabi). He is a distinguished member of the Institute of Chartered Accountants of Australia & New Zealand and graduated from Auckland University with a Bachelor of Commerce degree majoring in Accounting.</p>
Mr. Khamis Al Rahbi Senior AGM & Head of Operations	<p>Mr. Khamis Masoud Al Rahbi is Senior AGM & Head of Operations. Prior to joining Sohar International, he worked with major banks in Oman attached to the Audit department & Retail Banking covering 32 year of vast banking experience. He is a veteran in Retail Banking and who transformed the bank's mission successfully. He has served as an Acting Head – Retail Banking within the organization before taking the current role as Head of Operations. Mr. Khamis holds an MBA from Luton University, UK.</p>

Employees

The Bank's human resources policies are designed to attract, retain and motivate high-caliber, professional, skilled and knowledgeable employees. The Bank protects and abides by the rights provided to employees which include, but are not limited to: a transparent working environment; employee talent-management schemes; a transparent remuneration and compensation structure and access to a whistle-blowing policy (which enables employees to raise concerns in good faith and confidence directly up to the level of the Chairman).

As of 31st December 2018, the Bank employed 804 full-time staff.

The Bank is committed to identifying, attracting and developing Omani nationals in its workforce. The Omani government's recommended policy is that 90% of a bank's total personnel should consist of Omani nationals. The Bank's Omanisation level as at 31st December 2018 was 93.41% and it is currently in compliance with all other applicable employment regulations.

CHAPTER 11: SHARE PRICE MOVEMENT AND DIVIDEND POLICY

Share Price Movement (value in baiza)

The movement in share price of the Bank is as under:

Period	Opening Price	High Price	Low Price	Closing Price
2016				
Q1	156	168	120	142
Q2	142	186	142	172
Q3	173	192	163	171
Q4	170	170	139	160
2017				
Q1	155	165	146	149
Q2	134	153	133	145
Q3	141	163	141	160
Q4	160	164	152	152
2018				
Q1	152	160	150	153
Q2	135	154	134	137
Q3	137	137	121	128
Q4	127	128	108	111
2019				
Q1	112	123	107	115

Source - MSM

Dividend Policy

The Bank's dividends policy complies with the CBO & CMA guidelines. The Board of Directors follows a conservative dividend policy and recommend on the distribution of the dividends to the Shareholders after due consideration of the regulatory guidelines, the future growth expectations and other factors.

The historical dividend details of the Bank are given below:

For Year	Cash dividend	Stock dividend
2015	5%	10%
2016	5%	10%
2017	5%	10%
2018	6%	-

CHAPTER 12: PRICE JUSTIFICATION

Introduction

Since inception, within a timeframe of 12 years, the Bank has shown remarkable all-round growth and has created a strong market presence in terms of market share, product range, brand value, strong ethics and impressive financial performance, leading to attractive returns to investors.

The Bank has taken into consideration various quantitative and qualitative factors in deciding a fair issue price of shares under this rights issue. The principal considerations in this decision also include the all-round growth achieved by the Bank, its strategy, its financial performance, track record, brand value, future outlook of the banking sector and the Bank and the recent trend in Bank's share price.

Bank's Strategy

2018 was a pivotal year in the Bank's history as it embarked upon a new journey with a fresh vision that will better enable it to grow whilst delivering a robust contribution to the national economy. The Bank formulated a 5-year strategic blue print that included key priorities to be delivered within 200 days. The strategy aims to re-define banking and to place the organization at the forefront of technological development and to be recognized as the leading digitized Omani services company.

Building on a strong and remarkable journey of banking excellence, the Bank launched its new brand "Sohar International" and redefined its business model to go beyond the provision of financial services. The new brand continues to place customers at the heart of everything it does and supports its tag line "Your Success Our Mission".

The new brand emphasizes precision of delivery, being at the right place at the right time, and at the center of all things that are important to our customers – a dynamic service organization that moves in every sense, to the benefit of customers, communities and the wider economy.

Sohar International is well positioned to capitalize on business opportunities and play a key role in supporting the national economy. The Bank continues to formulate new initiatives in each of its business segments to maintain profit growth. The retail and wholesale segments will continue to enhance the customer experience with an increased focus on customer excellence and enhanced digital capabilities.

Financial highlights

(In RO million)

Particulars	31 st March 2019	2018	2017
Loans, advances and financing (net)	2,337	2,252	2,099
Total assets	3,088	3,046	2,843

Customers' deposits	1,819	1,818	1,643
Share capital	198	198	178
Retained earnings	32	39	73
Total shareholders' equity	279	285	294
Net interest income	16	57	48
Total operating income	25	94	76
Net operating income	14	55	42
Net profit for the period	10	29	25

The Bank's net profit for the three months ended 31st March 2019 amounted to RO 10.15 million as compared to RO 8.90 million during the same period in 2018, a growth of 14.0%. Total operating income increased by 16.7% from RO 21.81 million in the first three months of 2018 to RO 25.45 million for the same period in 2019. Operating profit similarly increased by 11.2% from RO 12.40 million in the first three months of 2018 to RO 13.79 million for the same period in 2019. During the first three months of 2019, operating expenses increased by 24.0% to RO 11.66 million compared to RO 9.40 million in the first three months of 2018 as the Bank continues to transform its organization in line with its strategy.

Gross loans and advances increased by 9.37% from RO 2.22 billion as on 31st March 2018 to RO 2.43 billion as at 31st March 2019. Net loans and advances grew by 7.52% to RO 2.34 billion as at 31st March 2019 from RO 2.17 billion as at 31st March 2018. Total assets grew by 5.59% from RO 2.92 billion as at 31st March 2018 to RO 3.09 billion as at 31st March 2019. Customer deposits increased by 9.80% to RO 1.82 billion as at 31st March 2019 compared to RO 1.66 billion as at 31st March 2018.

Average Share Price

Period ended 31 st March 2019	Average closing price (Baiza)	Discount of Issue Price to avg. closing price
1-month average closing price	115	8.7%
3-month average closing price	114	7.9%
6-month average closing price	118	11.0%
1-year average closing price	127	17.3%

Source: MSM, GBCM research

Based on the aforesaid factors, the Bank believes that the issue price is attractive for Shareholders and is expected to offer good returns to the Shareholders.

CHAPTER 13: RIGHTS AND LIABILITIES OF SHAREHOLDERS

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

13.1 Shareholders' Liability

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

In case new Shares are issued without stipulating the full payment of the value on Subscription, payment of the remainder of each Share's value shall be effected at the time and in the manner to be determined by the Board of Directors, provided that each Shareholder shall receive at least 14 days' notice specifying the time and place of payment.

13.2 Shareholders' Rights

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

- i. the right to receive dividends declared by the general meeting;
- ii. the preferential right of Subscription for new Shares;
- iii. the right to share in the distribution of the Bank's assets upon liquidation;
- iv. the right to transfer Shares in accordance with the applicable law;
- v. the right to inspect the Bank's balance sheet, profit and loss statement and register of Shareholders;
- vi. the right to receive notice of and the right to participate and vote in all general meetings in person or by proxy (each Shareholder will have one vote for each ordinary share owned);
- vii. the right to apply for annulment of any resolution made by the general meetings or the Board of Directors, which is contrary to the law or the Articles of Association or other internal regulations of the Bank;
- viii. the right to institute actions against the Directors and auditors of the Bank on behalf of the shareholders or on behalf of the Bank pursuant to Article 208 of the CCL;
- ix. the right to approach the CMA (provided that the move is supported by Shareholders who own at least 5% of the Shares), to exercise its authority to suspend resolutions of the general meeting which are passed in favor of, or against, any category of Shareholders or in the interests of the members of the Board of Directors or others.

13.3 Ownership and Transfer of Shares

Ownership and transfer of Shares shall be entered in the registers of the MCDC. In case of the death of a Shareholder the person whose name stands next in the register, where the deceased was a joint holder, shall be deemed by the Bank to be the representative of the joint owners of the Shares. If the deceased was a sole holder, his/her legal personal representatives shall be the only persons recognized by the Bank as having any title to his/her Shares, but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any Share which had been held jointly by him with other persons.

13.4 Reports and Statements to be sent to the Shareholders

Within 60 days from the end of the financial year, the Board of Directors shall prepare a report containing the Bank's financial position and the financial position of its subsidiaries as well as any net profits to be distributed to shareholders, any changes to the business of the Bank or of its subsidiaries, and anything that may have influenced the Bank's position or its ability to continue to practice all of its activities and achieve its objectives, as well as any other data listed in the Executive Regulation. The report shall also address the Bank's compliance with governance and sustainability requirements and must be signed by the Chairman or Vice-Chairman of the Board of Directors, a member of the Board of Directors and the CEO or director general of the Bank.

The Bank's auditor shall also prepare a report in accordance with IFRS (International Financial Reporting Standards) that states the true financial position of the Bank.

Copies of the above-mentioned reports shall be sent to the CMA before approving the agenda of the Annual General Meeting, if such reports have not been reviewed at the Annual General Meeting, approval of such reports shall be deemed null and void.

A summary of the audited financial statements, the report of the Board of Directors and the report of the auditors shall, likewise, be sent to each Shareholder and any person entitled to attend together with the invitation to attend the meeting of the ordinary Annual General Meeting at least 15 days prior to the meeting. The annual financial statements will also be disclosed through the electronic transmission system hosted on the MSM website. These reports as well as the Annual General Meeting decisions shall be filed with the Commercial Registrar within seven days of the Annual General Meeting date.

In the event that the Board of Directors identifies an error in the financial statements before the Annual General Meeting, it shall correct such error and send a notice to this effect to each Shareholder and any person entitled to attend prior to such meeting. The Board of Directors shall provide the CMA with a copy of the corrected report and file such copy with the Commercial Registrar within seven days of it being sent to the CMA. If the Board of Directors does not correct such error before the Annual General Meeting, consideration of the financial statements in question shall be postponed to another meeting, unless the error is not material.

The Board of Directors will also prepare unaudited quarterly financial statements for the first, second and third quarter of each Financial Year. These statements will also be disclosed through the electronic transmission system hosted on the MSM website. The Bank will also publish the un-audited quarterly financial statements as directed by the CMA.

CHAPTER 14: SUBSCRIPTION CONDITIONS AND PROCEDURES

Eligibility for Subscription

The Subscription for the Rights Issue is open to the Shareholders appearing on the Bank's register with the MCDC as at the Record Date and to those persons who have bought rights through the MSM. Every Shareholder is entitled to subscribe to the Rights Issue provided they own Shares as at the Record Date and/or they have purchased rights through the MSM. It is pertinent to mention here that it is permissible for foreign individuals/corporates to own Shares to an extent of 70% of the total Share of the Bank, though this may require permissions from various government authorities.

Every Shareholder as on the Record Date is entitled to about 19.2 Offer Shares for every 100 shares held as on the Record Date i.e. 1 Offer Share against about every 5.2 shares held on Record Date, duly rounded off.

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

Issue Period and Issue Price

Issue opens on – 7th July 2019

Issue closes on – 21st July 2019

The rights entitlement will lapse if valid application is not made during the issue period.

Issue Price – Baiza 107 per share (consisting of a nominal value of Baiza 100 plus premium of Baiza 5 and issue expenses being Baiza 2 per share).

Trading of rights

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

Subscription for Additional Shares

- 1) Only Shareholders as at the Record Date are eligible to apply for Additional Shares.
- 2) A Shareholder who does not subscribe to his/her full rights entitlement or sells his/her rights entitlement (either partially or in full) is not eligible to apply for Additional Shares.
- 3) A non-shareholder who buys rights entitlement, is not eligible to apply for Additional Shares.
- 4) Shareholders validly subscribing to their full entitlement of Offer Shares can apply for Additional Shares;

- 5) Shareholders who want to apply for Additional Shares should indicate it by writing the desired number of Additional Shares in their Application Form and make the required payment with submission of Application Form to Collecting Bank;
- 6) The minimum Additional Shares that can be applied for is one Offer Share with the maximum up to a number such that the total application (including original entitlement, rights purchased and Additional Shares) does not exceed the entire Rights Issue size;
- 7) Additional Shares will be allotted simultaneously with the Offer Shares, subject to CMA approval.
- 8) If the total Additional Shares applied for is more than the under-subscription (before considering additional shares) in the Rights Issue, each Applicants will be allotted Additional Shares on a pro-rata basis proportionate to the number of Additional Shares applied for, and the balance will be refunded;
- 9) If the total Additional Shares applied by Applicants is less than the under-subscription (before considering Additional Shares) in the Rights Issue, all eligible Applicants will be allotted full Additional Shares applied by them;
- 10) If there is any balance under-subscription even after allotment of Additional Shares, then the Board of Directors shall close the Rights Issue at the level of total actual Subscription received.

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

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

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

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

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

Subscription on behalf of Minor Children

- 1) An individual of age less than 18 years as on Record Date will be considered a minor.
- 2) Only a father may subscribe on behalf of his minor child(ren).

- 3) If a Subscription is made on behalf of a minor by any person other than the minor's father, the person submitting the Subscription shall be required to attach a valid Shari'ah (Legal) Power of Attorney issued by the competent authorities authorizing him to deal in the funds of the minor through sale, purchase and investment.

Minimum and Maximum application

The minimum application can be for one Share and the maximum application cannot exceed the Rights issue size (including original entitlement, rights purchased and Additional Shares).

Particulars of the bank account

- 1) Each Applicant shall be required to furnish the particulars of his/her bank account (registered in the name of the Applicant). The Applicant shall not use the bank account number of any other person except in case of minor children only.
- 2) If the bank account of the Applicant is registered with a bank other than the one receiving the Subscription, he/she shall be required to submit a document in evidence of correctness of the bank account particulars as provided for in the Application Form. This can be done by submitting any document from the Applicant's bank which clearly shows the account number and name of the account holder (Applicant), such as an account statement issued by the bank or a letter/document issued by the Applicant's bank containing the aforesaid information. The Applicant shall ensure that such evidence submitted is readable in a clear manner. The Applicant is not obliged to submit evidence of his/her bank account if he/she is subscribing through the bank wherein he/she maintains his/her account. In this case, the bank receiving the Subscription shall verify and confirm the Applicant's account details in its specific system and procedure.
- 3) The bank account provided in the Application Form would be used only for refunds.
- 4) The Application Form containing the bank account number of a person other than the Applicant shall be rejected.

Documentation Required

- 1) Copy of Applicant's Civil ID/Passport/Commercial Registration certificate, as applicable.
- 2) Submission of a document confirming correctness of the bank account details written in the Application Form, only if the Subscription is through a bank other than the one with whom the Applicant has his/her bank account.
- 3) Copy of a valid Power of Attorney duly endorsed by the competent legal authorities in the event the Subscription is on behalf of another person.
- 4) In case of applications by non-individuals, which are signed by a person in his/her capacity as an authorized signatory, a copy of adequate and valid documentation should be attached.

Mode of Subscription

- 1) The Applicant shall be required to fill in the Application Form for the Subscription and furnish all his/her particulars including the Shareholder Number available with MCDC, Civil ID Number/Passport Number/Commercial Registration Number or similar details.

- 2) The Applicant shall be responsible for furnishing all his/her particulars, ensuring correctness and validity of the information provided in the Application Form. While emphasizing on it, the Collecting Bank has been instructed to accept only those Application Forms that comply with all requirements provided in the Application Form and Prospectus.
- 3) Before filling the Application Form, the Applicant should peruse the Prospectus and read the conditions and procedures governing the subscription with total care and importance.
- 4) The Applicant shall submit the Application Form to the Collecting Bank along with the payment towards the Offer Shares and also ensure that the documents in support of the information furnished are enclosed.
- 5) The payment for the Subscription should be made by the Applicant in Omani Rials only. Payment in any other currency may cause rejection of application.
- 6) In case of payment through bank transfer, the Applicant is responsible for ensuring successful transfer of Subscription amount to Collecting Bank within the Subscription period and attach a copy of the bank transfer confirmation with his/her Application Form.
- 7) Payment of the value of the Subscription can be made by cash/check/bank transfer to the following account:

Sohar International Bank Rights Issue a/c
A/c no. 00010035001014
Sohar International Bank SAOG
BSHROMRUXXX

Availability of duplicate application forms

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

Collecting Bank

The applications for Subscription shall be accepted by the Collecting Bank - Sohar International Bank SAOG during its official working hours only.

The Collecting Bank shall accept the Application Form for Subscription after confirmation of compliance of the procedure and subject matter in line with the requirements as provided for in the Prospectus. Hence, the Collecting Bank must instruct the Applicants to comply and fulfil all requirements stated in the Application Form and the Prospectus.

The Applicant shall be responsible for submission of his/her Application Form to the Collecting Bank before closing of the period for Subscription. In this regard, the Collecting Bank shall have the right not to accept any Application Form that reaches it after its official working hours on Subscription closing date.

Acceptance of the applications

The Collecting Bank shall neither receive nor accept the applications for Subscription under the following circumstances:

- 1) If the Application Form does not bear the signature and stamp (if applicable) of the Applicant.
- 2) In case of failure to pay the value of the Offer Shares subscribed in accordance with the conditions provided for in the Prospectus.
- 3) If the value of the Offer Shares subscribed is paid through check and it is dishonored for whatever reason.
- 4) If the Application Form does not bear the Applicant's investor number available with MCDC.
- 5) If the investor account number furnished in the Application Form is incorrect.
- 6) If there is more than one Application Form with the same Applicant's name, all of them shall be rejected.
- 7) If there is more than one Application Form with same investor number, all of them shall be rejected.
- 8) If the supporting documents referred to in the Prospectus are not enclosed with the Application Form.
- 9) If the Application Form does not contain all particulars of the bank account of the Applicant.
- 10) If the bank account details of the Applicant in the Application Form are found to be incorrect.
- 11) If the bank account details provided in the Application Form are found to be not relevant to the Applicant.
- 12) In case of failure to attach Power of Attorney with Application Form as provided for in the Prospectus in respect of the person who subscribes and signs on behalf of another person.
- 13) If the application has not complied with the legal and organizational requirements as provided for in the Prospectus.

If the Collecting Bank observes, after receipt of the Application Form and before expiry of the time schedule prescribed for handing over the Application Forms in final form to the Issue Manager, that the application has not complied with the legal or other requirements as provided in the Prospectus, then the Collecting Bank shall take due efforts to contact the Applicant so as to correct the detected mistake. In case of failure to have the mistake corrected within the period referred to, the Collecting Bank shall return the Application Form to such Applicant together with the Subscription amount.

Refusal/Rejection of applications

The Issue Manager may reject the Subscription application under any of the conditions referred to above, after securing approval of the CMA and submission of a report furnishing the details of the applications that are required to be rejected and reasons behind such rejection.

Enquiry and Complaints

Applicants seeking clarification or to file complaints about allotment or rejected applications or refunds may contact the branch of the Collecting Bank where the Application Form was submitted. In case of absence of response from the branch, the Applicant may contact the person concerned as hereunder:

Mr. Fahad Al Maawali
Sohar International Bank SAOG
P.O. Box 44, P.C. 114, Hai Al Mina, Oman
Tel: +968 24730216, Fax: +968 24730280
Email: fahad.almaawali@soharinternational.com

If the Collecting Bank fails to arrive at a solution or settlement with the Applicant, it shall refer it to the Issue Manager, and keep the Applicant updated. The Applicant shall keep in touch only with the Collecting Bank to know the outcome.

Issue Manager's contact –

Mr. Amit Maheshwari
Gulf Baader Capital Markets SAOC
P.O. Box 974, P.C. 112, Ruwi, Oman
Tel: +968 22350700 Fax: +968 22350745
Email: cfd@gbcmoman.net

Restrictions on Shareholding

Applicants are required to comply with the shareholding limits prescribed in the laws of Oman. In case the post-issue shareholding of any Applicant is likely to exceed the prescribed limits, he/she must obtain approval for such potential excess shareholding before he/she submits his/her Application Form. The Applicant must attach a copy of the relevant approval for excess shareholding along with his/her Application Form.

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

Payments for Additional Shares

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

Allotment and Refund

The Offer Shares shall be allotted and refunds will be made (if required) within 15 days from the Subscription closing date, after obtaining CMA approval for allotment. The Applicant, after the announcement of the allotment, shall ensure that the allotted Shares are appearing in its account with MCDC.

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

Responsibilities of Shareholders/Applicants in Rights Issue

A Shareholder who sells his/her Rights Issue entitlement through the MSM will lose his/her right to subscribe to the Offer Shares to that extent. Furthermore, such Shareholders cannot apply for Additional Shares.

An investor who buys the rights entitlement through the MSM should exercise his/her right to subscribe to the Offer Shares by submitting his/her Application Form (which can be obtained from Issue Manager) to the Collecting Bank before the Subscription closing date. Such investors are not eligible to apply for Additional Shares.

Issuer's right

The Issuer reserves the right to withdraw/cancel the Issue prior to the listing date for any reasons including in the event of any unforeseen development adversely affecting the economic and regulatory environment, any force majeure condition including any change in applicable law, etc. If the Issue is withdrawn cancelled, the received Subscription amounts will be refunded in full, without any interest or further liability.

Proposed Timetable

The following is only an indicative proposed timetable for the Issue:

ACTIVITY	DATE*
Approval of Prospectus by CMA	17 th June 2019
Date of publication of announcement: After approval of the Prospectus, at least five working days before the Record Date, the Issuer must publish an advertisement approved by CMA in two daily newspapers, at least one of them to be an Arabic daily, for two consecutive days, notifying the Shareholders and other investors of the Rights Issue. The advertisement must include a summary of the Prospectus including the volume and ratio of the increase in the capital, issue price, the Record Date, Collecting Bank, Subscription period and the period for the trading of the rights entitlement.	19 th June 2019
Record Date: Shareholders registered in MCDL records as at this date are eligible for Subscription to the Rights Issue as holders of the rights.	26 th June 2019
Service of Notices on the Shareholders: At least three days before the date set for the exercise of the rights, the Issue Manager shall send written notices to each Shareholder at the address recorded in the Shareholders record advising of the Rights Issue together with an approved copy of the Prospectus and an application form. The notice must specify the number of Shares that may be subscribed, the period of Subscription under such Right or the assignment of the rights which period shall not be less than 15 days from the date of publication as provided for by Article 83 of the Commercial Companies Law.	30 th June 2019
Listing of the rights entitlement: The Issuer and the Issue Manager in collaboration with MCDL and MSM carry out the procedures for listing of the rights for trading on MSM within five working days from the date of Record date. A record of holders of the rights shall be prepared for the purposes of the trading of the rights within the specified period. The rights shall be separated from the Shares and shall be traded separately.	3 rd July 2019

Date of commencement of Subscription (Issue Open Date): This date shall not be less than 15 days from the date of publication of the notice of the Rights Issue. Application Forms will be issued directly to the Shareholders, but duplicate application forms may be obtained from the Collecting Bank or Issue Manager.	7 th July 2019
End of trading of the rights	15 th July 2019
End of Subscription period (Issue Close Date): After this date, the Issue Manager shall collect the list of Subscription from the Collecting Bank, verify the Subscription list, match it with the rights holders' record and process the allotment of Shares.	21 st July 2019
Listing and allotment: The new Shares shall be allotted and the listed on the MSM within 15 days of the Issue Closing Date.	28 th July 2019

*The actual dates may vary.

Responsibilities and Obligations

The Issuer, Issue Manager, Legal Advisor, Collecting Bank and the MCDL shall abide by the responsibilities and duties specified under the Regulations issued by the CMA and shall comply with any other responsibilities and obligations set out in the agreements entered into between them. The parties concerned shall be required to take remedial measures with regard to the damages arising from any negligence committed in the performance of the functions and responsibilities assigned to them. In such event the Issue Manager shall liaise with relevant authorities such as CMA and MSM for taking suitable steps and measures for repairing such damages.

CHAPTER 15: UNDERTAKINGS

Sohar International Bank SAOG

The Board of Directors of the Bank jointly and severally undertake that:

- 1. The information provided in this Prospectus is true and complete.
- 2. Due diligence was done to ensure that no material information has been omitted, the omission of which would render this prospectus misleading.
- 3. All provisions of Capital Market Law, the Commercial Companies Law and the rules and regulations issued thereunder have been complied with.

Signed on behalf of the Board of Directors:

Name	Signature
Mr. []	Sd/-

Mr. []	Sd/-
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Issue Manager

Pursuant to our responsibilities under Article 3 of the Capital Market Law, the Executive Regulations thereof and the directives issued by CMA, we have reviewed all relevant documents and other material required for the preparation of the Prospectus pertaining to the Rights Issue.

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

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

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

Sd/-
Gulf Baader Capital Markets SAOC

Legal Advisor to the Issue

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

Sd/-
Nasser Al Habsi & Saif Al Mamari Law Firm in association with Addleshaw Goddard (Middle East) LLP

