

Board of Directors' Report

On behalf of the Board of Directors, I am pleased to present the results of your bank as at 30th September 2012.

Your bank has achieved a Net Profit of OMR 15,722 million during the nine months period ended 30th September 2012 as compared to a Net Profit of OMR 10,932 million during the same period of the previous year, registering an impressive growth of 43.82%. The bank is continuing with its efforts to achieve a sustainable and profitable growth.

The Net Interest Income witnessed a significant improvement of 18.7% increasing from OMR 25,638 million for the period ended 30th September 2011 to OMR 30,443 million for the period ended 30th September 2012. The Operating Income increased by 21.07% from OMR 31,554 million during the first half of last year to OMR 38,205 million during the first half of current year. The Operating Cost increased by 2.97% from OMR 17,617 million to OMR 18,141 million during the same period.

Gross Loans have increased by 11.62% this year from OMR 1,041 million on 31st December 2011 to OMR 1,162 million as at 30th September 2012. The Net Loans and advances grew by 11.56% from OMR 1,020 million on 31st December 2011 to reach OMR 1,138 million as at 30th September 2012. Customer deposits reached OMR 1,421 million as at 30th September 2012, an increase of 21.3% over OMR 1,171 million registered as at 31st December 2011. The bank's market share of Private Sector Credit was 8.47% while the Private Sector Deposit share was 8.58% as at end of August 2012.

Bank Sohar is still working to develop a unique Omani model of Islamic Banking, in cooperation with Dar Al Sharia, a legal & financial consultancy and the Path Solutions International Company to provide the bank with the required software for Islamic Banking. Moreover, the bank conducts suitable and necessary training programmes for the employees to work efficiently and effectively in the new market.

The bank has concluded the "International Leadership Programme" which was attended by a selective group of employees. The aim of this programme is to benefit the employees and to add valuable ideas and thoughts that will improve and increase the profitability of the bank.

The bank continues to develop its business, provide new jobs for fresh graduates and others, improve their abilities and provide good opportunities at the workplace. The total staff headcount as at 30th September 2012 stood at 551 and the Omanisation ratio at end June 2012 was 90.38%.

The bank also offers a variety of other services through its various outlets such as branches, ATMs, the Call Centre as well as electronic banking outlets such as Internet and SMS banking. The bank presently has a network of 25 branches and 44 ATMs.

Bank Sohar's charitable activities have been the hallmark of its impressive Corporate Social Responsibility (CSR) programme. The beneficiaries are primarily welfare and volunteer support organizations with a long history of exemplary services to underprivileged and differently-abled sections of the community. Indeed, there are many welfare support organizations in the country that benefited and still benefiting from Bank Sohar's ongoing programme of philanthropy.

Over the course of the preceding three quarters, a number of prominent welfare organizations have been the recipients of generous cash donations and grants made by Bank Sohar as part of its CSR activities. The beneficiaries include: Oman Association for the Disabled - Sohar and Muscat branches, Association for the Welfare of the Handicapped, Association for the Early Intervention of Handicapped Children, Creative Center for Rehabilitation, Child Care Centre, Al Amal Association, and Al Hayat Association and other charitable associations and organisation.

In addition, on the occasion of the holy month of Ramadan, the bank had distributed food staples to some needy families. Also, the bank visited Sultan Qaboos Hospital and distributed Eid gifts to children.

On the front of supporting national activities, Bank Sohar was the Participant Sponsor of the Salalah Tourism Festival 2012; an annual cultural extravaganza that spotlights the tourist charms of Salalah in summer. Attracting tens of thousands of mainly local visitors, the festival was also an opportunity for Bank Sohar to showcase its suite of world-class products and services.

On behalf of the Board of Directors, management and staff of the Bank, I would like to thank the Central Bank of Oman and the Capital Market Authority for their astute regulation and guidance. Above all, I would like to express my humble gratitude and pay tribute to His Majesty Sultan Qaboos Bin Said for his wise and discerning leadership that has firmly set Oman on the path of progress and sustainable development.

Salim Said Al Fannah Al Araimi
Chairman

UNAUDITED STATEMENT OF FINANCIAL POSITION

	30 September 2012 RO'000	31 December 2011 RO'000
ASSETS		
Cash and balances with Central Bank	101,761	61,513
Due from Banks and other money market lending	344,077	231,560
Loans and advances (net)	1,137,611	1,019,554
Investment securities	172,023	85,659
Property, equipment and fixtures	14,020	14,157
Other assets	13,646	19,534
	1,783,138	1,431,977
LIABILITIES		
Due to Banks and other money market borrowings	145,750	43,136
Customers' deposits	1,421,415	1,171,437
Other liabilities	28,375	38,718
Subordinated loans	50,000	50,000
	1,645,540	1,303,291
SHAREHOLDERS' EQUITY		
Share capital	100,000	100,000
Legal reserve	5,705	5,705
General reserve	413	413
Fair value reserve	(844)	(2,034)
Retained earnings	32,324	24,602
	137,598	128,686
	1,783,138	1,431,977
Net assets per share (in baizas)	137.598	128.69
CONTINGENT LIABILITIES	202,812	183,660
COMMITMENTS	225,776	277,678

The financial statements were approved and authorized for issue by the Board of Directors on 23rd October 2012

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	9 Months ended 30 September 2012 RO'000	9 Months ended 30 September 2011 RO'000	3 Months ended 30 September 2012 RO'000	3 Months ended 30 September 2011 RO'000
Interest income	53,042	45,065	18,561	15,147
Interest expense	(22,599)	(19,427)	(8,127)	(6,251)
Net interest income	30,443	25,638	10,434	8,896
Other operating income	7,762	5,916	2,342	1,931
OPERATING INCOME	38,205	31,554	12,776	10,827
OPERATING EXPENSES				
Staff costs	(10,783)	(10,588)	(3,543)	(3,707)
Other operating expenses	(5,819)	(5,425)	(2,053)	(1,746)
Depreciation	(1,539)	(1,604)	(520)	(527)
	(18,141)	(17,617)	(6,116)	(5,980)
OPERATING PROFIT	20,064	13,937	6,660	4,847
Impairment on investments	(17)	(17)	-	(17)
Impairment allowance on portfolio basis	(1,305)	(494)	(380)	73
Impairment allowance on specific basis	(1,036)	(1,100)	(281)	(352)
NET PROFIT BEFORE TAX	17,706	12,326	5,999	4,551
Income tax expense	(1,984)	(1,394)	(638)	(546)
NET PROFIT/ (LOSS) FOR THE PERIOD	15,722	10,932	5,361	4,005
Other comprehensive income				
Net changes in fair value of available for sale financial assets net of income tax	1,277	(3,436)	781	(2,249)
Other comprehensive income for the period net of income tax	1,277	(3,436)	781	(2,249)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16,999	7,496	6,142	1,756
Basic earnings/ (loss) per share for the period - in baizas	15.722	10.932	5.361	4.005
Basic earnings/ (loss) per share for the period (annualized) - in baizas	21.020	14.616	21.269	15.889

The complete accounts of Bank Sohar SAOG will be delivered to any shareholder or any interested parties who request them in either Arabic or English, as requested, within 7 days of receipt of a written request. Request should be submitted to Bank Sohar Finance Department.

