Sohar International Bank SAOG
PO Box 44, PC 114, Hai Al Mina, Sultanate of Oman
Tel: +968 24730000 Fax: +968 24730010
www.soharinternational.com

PROSPECTUS

Issue of up to 100,000 Unsecured Subordinated Perpetual Additional Tier I Capital Instruments (Perpetual Bonds) comprising of an issue of up to 70,000 bonds with a Green Shoe Option up to an additional 30,000 bonds on a Private Placement basis, at a price of RO 1,000 per bond, aggregating up to RO 100 million

ISSUE PERIOD
Opening Date: 5 March 2019
Closing Date: 11 March 2019

Issuer Credit Rating

FITCH	BB+	Negative Outlook
Capital Intelligence	BBB-	Stable Outlook
Moody’s	Ba1	Negative Outlook

Financial Advisor and Issue Manager

Gulf Baader Capital Markets SAOC
PO Box 974, PC 112, Ruwi, Sultanate of Oman
Tel: +968 22350700 Fax: +968 22350745

Collecting Bank
Sohar International Bank SAOG

Legal Advisor
Nasser Al Habsi & Saif Al Mamari Law Firm in association with Addleshaw Goddard (Middle East) LLP

External Auditor
Ernst & Young LLC

Registrar and Trustee
Muscat Clearing and Depository Company SAOC

IMPORTANT NOTICE TO INVESTORS

This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Bank to subscribe to the offered securities in any jurisdiction outside of Oman where such distribution is, or may be, unlawful.

The prospectus and the private placement are intended only for certain select investors as identified by the Bank and is not an offer to the public. As the securities are being offered on private placement basis, the prospectus is not intended for public circulation or distribution. Select investors include, but are not limited to, pension funds, investment companies, portfolio management entities, high net worth individuals and any other person/entity identified by the Issuer.

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 Perpetual Bonds 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 own lawyer, financial advisor or tax advisor for legal, financial or tax advice in relation to any purchase or proposed purchase of the Perpetual Bonds.

Investor due diligence

Prior to making any decision as to whether to subscribe for the Perpetual Bonds, 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 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 Perpetual Bonds where such offer or invitation would be unlawful. This Prospectus is for the exclusive use of the intended recipients to whom it is addressed and delivered and it should not be circulated or distributed to third party(ies). It cannot be acted upon by any person other than to whom it has been specifically addressed. The Bank and the Issue Manager require persons into whose possession this Prospectus comes, to inform them of and observe, all such restrictions. None of the Bank or 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 Perpetual Bonds 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, advisers, 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.

SELLING RESTRICTIONS OUTSIDE OF OMAN

Kingdom of Bahrain

In relation to investors in the Kingdom of Bahrain, the securities, which are the subject of this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain in the Kingdom of Bahrain where such investors make a minimum investment of at least US$100,000, or any equivalent amount in other currency or such other amount as the Central Bank of Bahrain may determine.

This Issue does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article 81 of the Central Bank and Financial Institutions Law 2006 (Decree Law No. 64 of 2006). This Prospectus has not been and will not be registered as a prospectus with the Central Bank of Bahrain. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside Bahrain.

The Central Bank of Bahrain has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the Central Bank of Bahrain assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document.

State of Kuwait

This Prospectus has not been reviewed by the Capital Markets Authority of Kuwait and is not issued by a person licensed by the Capital Markets Authority. Accordingly, this Prospectus may neither be circulated within the State of Kuwait nor may any Perpetual Bonds be offered for subscription be sold, directly or indirectly, in the state of Kuwait. Moreover, no invitation or offer to subscribe for any of the Perpetual Bonds may be made to persons, including for the avoidance of doubt, any legal entities, in the State of Kuwait. In the event that this Prospectus is forwarded to any person in the State of Kuwait, it should be disregarded and no steps should be taken in reliance upon it. No person in the State of Kuwait may accept or subscribe for, or purport to accept or subscribe for, the Perpetual Bonds.

State of Qatar

The Perpetual Bonds have not been and will not be offered, sold or delivered, at any time, directly or indirectly in the State of Qatar in a manner that would constitute a public offering. No application has been or will be made for the Perpetual Bonds to be listed or traded on the Qatar Exchange or the QE Venture Market. This Prospectus has not been, and will not be, reviewed or approved by or registered or filed with the Qatar Financial Markets Authority or Qatar Central Bank and may not be publicly distributed. This Prospectus is intended for the original recipient only and must not be provided to any other person. This Prospectus is not for general circulation in the State of Qatar and may not be reproduced or used for any other purpose.

Kingdom of Saudi Arabia

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations as issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia resolution number 2-11-2004 dated October 4, 2004 as amended by resolution number 1-28-2008 dated August 18, 2008 (the “KSA Regulations”).

This Prospectus is directed to "sophisticated investors", as defined under Article 10 of the KSA Regulations ("Sophisticated Investors"), for information purposes only. This Prospectus is not intended for distribution to, or use by anyone who is not a Sophisticated Investor. Any person who is not a Sophisticated Investor should not act on this Prospectus or any of its contents. This Prospectus also is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would be contrary to law or regulation.

The Capital Market Authority of the Kingdom of Saudi Arabia does not make any representation as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this Prospectus, you should consult an authorised financial adviser.

United Arab Emirates (excluding the Dubai International Financial Centre)

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that neither the Perpetual Bonds nor this Prospectus have been approved by the UAE Central Bank, the UAE Ministry of Economy and Planning, the UAE Securities and Commodities Authority or any other authorities in the United Arab Emirates. The Issue Manager has not received authorisation or licensing from the UAE Central Bank, the UAE Ministry of Economy and Planning, the UAE Securities and Commodities Authority or any other authorities in the United Arab Emirates to market or sell the Perpetual Bonds within the United Arab Emirates. No marketing or offer of the Perpetual Bonds has been or will be made from within the United Arab Emirates and no purchase of the Perpetual Bonds may or will be consummated within the United Arab Emirates. It should not be assumed that the Issue Manager is a licensed broker, dealer or investment adviser under the laws applicable in the United Arab Emirates, or that they advise individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Perpetual Bonds may not be offered or sold directly or indirectly to the public in the United Arab Emirates. This Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the UAE Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

Dubai International Financial Centre

This Prospectus is not intended to, and does not, constitute a financial promotion, an offer, sale or delivery of Perpetual Bonds or other securities under the Dubai International Financial Centre (the "DIFC") Markets Law (DIFC Law 12 of 2004, as amended), Regulatory Law (DIFC Law 1 of 2004, as amended), under the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**") or otherwise. The Perpetual Bonds are not intended for, are not being offered, distributed, sold or publicly promoted or advertised, directly or indirectly, to, or for the account or benefit of, any person in the DIFC. This Prospectus is not intended for distribution to any person in the DIFC and any such person that receives a copy of this Prospectus should not act or rely on this Prospectus and should ignore the same. The DFSA has not approved the offer of Perpetual Bonds or this Prospectus nor taken steps to verify the information set out in it, and has no responsibility for it.

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. None of the Bank or 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 in the event they purchase Perpetual Bonds and become holders of Perpetual Bonds.

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 1 January and ends on 31 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 for the time being 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 TIER 1 CAPITAL	The capital qualifying as, and approved by the CBO as, Additional Tier 1 Capital in accordance with the Laws of Oman.
ALLOTMENT	The allotment of Perpetual Bonds against valid applications, as approved by CMA
APPLICABLE REGULATORY CAPITAL REQUIREMENTS	Any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Bank, including transitional rules and waivers granted in respect of the foregoing
APPLICANT	A person or entity who applies for the subscription of the Perpetual Bonds pursuant to the terms of this Prospectus
APPLICATION	The application through an application form to be submitted for the subscription of the Perpetual Bonds pursuant to the terms of this Prospectus
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
BASEL COMMITTEE	The Basel Committee on Banking Supervision
BASEL III	The reforms to the international regulatory capital framework issued by the Basel Committee as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for international credit institutions (including guidance on the eligibility criteria for tier 1 capital instruments and tier 2 capital instruments)
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 Registrar are open for general business in Muscat, Oman
CALL DATE	The First Call Date and any Interest Payment Date thereafter, at the option of the Bank
CAPITAL EVENT	Is deemed to have occurred if the Bank is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Perpetual Bonds are held by the Bank or whose purchase is funded by the Bank) of the Perpetual Bonds would cease to qualify, in full, for inclusion in the

	consolidated Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital)
CAPITAL EVENT REDEMPTION AMOUNT	In relation to a Perpetual Bond means its outstanding principal amount together with any Outstanding Payments
CAPITAL REGULATIONS	At any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Oman, including those of the Regulator (which shall include, without limitation, the Regulator's CP-1 Guidelines on regulatory capital under Basel III issued via the CBO circular BM1114 dated 17 November 2013 and CBO circular BSD/2017/BKUP/Banks/16 dated 16 January 2017); and any other amendments thereof
CBO	Central Bank Oman
CCL	Commercial Companies Law of Oman promulgated by Royal Decree 4/74 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
COMMON EQUITY TIER 1 CAPITAL	Capital qualifying as, and approved by the Regulator as, common equity tier 1 capital in accordance with the Capital Regulations and, as common equity tier 1 capital as implemented in the Applicable Regulatory Capital Requirements at such time
CONDITIONS	The terms and conditions of the issue of Perpetual Bonds as set out in Chapter 4 of this Prospectus
DAY-COUNT FRACTION	The number of days in the relevant period divided by 365 (including the first such day but excluding the last)
DETERMINATION DATE	In respect of a Reset Period, the third Business Day prior to the commencement of such Reset Period
DIRECTOR	A member of the Board of Directors of the Bank
DISTRIBUTABLE ITEMS	The Bank's accumulated and realised profits (to the extent not previously distributed or capitalised), less accumulated losses, all as set out in the most recent financial statements of the Bank as announced through the MSM website
DIVIDEND STOPPER DATE	The date of a Non-Payment Event or a Non-Payment Election pursuant to Condition 5.1 (Non-Payment Event) or 5.2 (Non-Payment Election) (as the case may be) which results in any Interest Payment Amount not being paid

EARLY REDEMPTION AMOUNT	In relation to a Perpetual Bond, its outstanding principal amount together with any Outstanding Payments
EVENT OF DEFAULT	(a) ***Non-payment***: the Bank fails to pay an amount in the nature of principal or interest due and payable by it pursuant to the Conditions and the failure continues for a period of seven days in the case of principal and 14 days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non Payment Event or the Bank making a Non-Payment Election); or (b) ***Insolvency***: a final determination is made by a court or other official body that the Bank is insolvent or bankrupt or unable to pay its debts; or (c) ***Winding-up***: a liquidator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or liquidation of the Bank or the Bank shall apply or petition for a winding-up or liquidation in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by a resolution passed by the holders of the Perpetual Bonds in accordance with the procedures set out in the Conditions; (ii) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or (iii) arising as a result of a merger or amalgamation with another financial institution; or (d) ***Analogous Event***: any event occurs which under the laws of Oman has an analogous effect to any of the events referred to in paragraph (b) or (c) above. References in subparagraph (b) (Insolvency) above to debts shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari'a* and which is treated as debt for the purposes of applicable law, in each case whether entered into directly or indirectly by the Bank
EXISTING INTEREST RATE	The Interest Rate or the Initial Interest Rate, as applicable, immediately preceding the relevant Reset Date

FINANCIAL ADVISOR AND ISSUE MANAGER	Gulf Baader Capital Markets SAOC
FINANCIAL YEAR	The financial year of the Bank commencing from 1 January and ending on 31 December or as may be amended by the Shareholders in accordance with the Articles
FIRST CALL DATE	The 5th anniversary of the Issue Date
GREEN SHOE OPTION	In case of subscription over 70,000 Perpetual Bonds, the option available to Issuer to issue and allot up to 30,000 more Perpetual Bonds and retain corresponding excess subscription amounts
FIRST INTEREST PAYMENT DATE	Six months from the Issue Date.
GOVERNMENT	Government of Oman
IFRS	International Financial Reporting Standards
INITIAL INTEREST RATE	7.50% per annum
INITIAL MARGIN	2.50% per annum
INITIAL PERIOD	The period from and including the Issue Date, to but excluding the First Call Date
INTEREST PAYMENT AMOUNT	The amount of interest payable, subject to Condition 5 (*Interest Restrictions*) and Condition 6 (*Payments*), on each Interest Payment Date
INTEREST PAYMENT DATE	The First Interest Payment Date and every six months after the First Interest Payment Date
INTEREST PERIOD	The period from and including the Issue Date to, but excluding, the First Interest Payment Date, and each successive period from and including an Interest Payment Date to but excluding the next Interest Payment Date
INTEREST RATE	In respect of the Initial Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 4.1 (*Interest Payments*)
ISSUE	Issue of up to 100,000 Perpetual Bonds comprising of an issue of up to 70,000 Perpetual Bonds with a Green Shoe Option up to an additional 30,000 Perpetual Bonds on a Private Placement basis, at a price of RO 1,000 per Perpetual Bond, aggregating up to RO 100 million
ISSUE DATE	The date of approval of the Allotment of the Perpetual Bond by the CMA
ISSUER / BANK	Sohar International Bank SAOG

JUNIOR OBLIGATIONS	All claims of the holders of Shares
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 / REGISTRAR / TRUSTEE	Muscat Clearing and Depository Company SAOC
MOCI	Ministry of Commerce and Industry of Oman
MSM	Muscat Securities Market of Oman
NON-PAYMENT ELECTION	An election by the Bank that Interest Payment Amounts shall not be paid to holders of the Perpetual Bonds on any Interest Payment Date
NON-PAYMENT EVENT	(a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Bank on any Pari Passu Obligations, having the same dates in respect of payment of such distributions or amounts as, or otherwise due and payable on, the dates for payment of Interest Payment Amounts, exceed, on the relevant date for payment of such Interest Payment Amounts, Distributable Items; (b) the Bank is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of capital buffers imposed on the Bank by the Regulator) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof; or (c) the Regulator requires that the Interest Payment Amount due on that Interest Payment Date shall not be paid.
NON-VIABILITY EVENT	(a) the Regulator has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without a Write-down; or (b) a decision is taken to make a public sector injection of capital (or equivalent support) without which the Bank is, or will become, Non-Viable, whichever is earlier
NON-VIABILITY EVENT WRITE-DOWN DATE	Shall be the date on which the Write-down will take place as specified in the Non-Viability Notice, which date shall be no later than 10 Business Days (or such earlier date as determined by the Regulator) after the date of the Non-Viability Notice

NON-VIABILITY NOTICE	Notice of a Non-Viability Event given by the Bank to the holders of the Perpetual Bonds, where upon a Write-down of the Perpetual Bonds shall take place and, with effect of such date, holders shall not be entitled to any claims for any amount subject to such Write-down in connection with the Perpetual Bond.
NON-VIABLE	In relation to the Bank, means: (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business, or (b) any other event or circumstance which is specified as constituting non-viability by the Regulator or as is set out in the applicable banking regulations
OBLIGATIONS	The payment obligations of the Bank under the Perpetual Bonds
OMAN	Sultanate of Oman
OMANI RIAL / RO	The lawful currency of Oman. Each Omani Rial is equivalent to 1,000 Baizas
OTHER COMMON EQUITY TIER 1 INSTRUMENTS	Securities issued by the Bank that constitute Common Equity Tier 1 Capital of the Bank other than Shares
OUTSTANDING PAYMENTS	In relation to any amounts payable on redemption of the Perpetual Bonds, an amount representing any due and payable but unpaid interest for the Interest Period during which redemption occurs to the date of redemption. For the avoidance of doubt, the obligation to pay Outstanding Payments is without prejudice to the Bank's right to elect not to pay earlier Interest Payment Amounts or to the non-payment of such amounts as a result of a Non-Payment Event having occurred
***PARI PASSU* OBLIGATIONS**	All subordinated payment obligations of the Bank which rank, or are expressed to rank, *pari passu* with the Obligations
PERPETUAL BONDS	Perpetual capital securities qualifying as Additional Tier I Capital Instrument under CBO guidelines, with a face value of RO 1,000 per Bond, issued under this Prospectus
PROSPECTUS	Means this Prospectus, as approved by the CMA
QUALIFYING TIER 1 INSTRUMENTS	Instruments that satisfy the criteria of Qualifying Tier I Capital Instruments pursuant to the criteria set out in the "Guidelines on Regulatory Capital under Basel III" circulated by the CBO in the CBO circular No BM 1114 dated 17 November 2013.
REDEMPTION AMOUNT	The Early Redemption Amount, the Tax Redemption Amount or the Capital Event Redemption Amount (as the case may be)
REGISTER	The record of holding and ownership of the Perpetual Bonds maintained by MCDC

REGULATOR	The CBO or any successor entity having primary bank supervisory authority with respect to the Bank in Oman
RELEVANT DATE	The date on which the payment first becomes due, except that, if notice to that effect is duly given to holders of the Perpetual Bonds in accordance with Condition 12 (*Notices*)
RELEVANT 5 YEAR RESET RATE	(a) The coupon rate of the Reset Reference Bond; or (b) The Existing Interest Rate, in the event no Reset Reference Bond is available on account of: (i) no auction issue in the immediate 12 months preceding any Reset Date; or (ii) there is no tenor matching the Reset Reference Tenor
RESET REFERENCE TENOR	The length of time in years, until the maturity date or first call date of the Reset Reference Bond
RESET REFERENCE BOND	(a) The most recent Omani Rial Government Development Bond issued, with the relevant rate being the coupon rate, in the immediate 12 months preceding the applicable Reset Date and which has a tenor equal to the relevant Reset Reference Tenor; or (b) The most recent Omani Rial sovereign debt issued, with the relevant rate being the coupon rate, in the immediate 12 months preceding the applicable Reset Date and which has a tenor equal to the relevant Reset Reference Tenor
RESET DATE	The First Call Date and every fifth anniversary thereafter
RESET PERIOD	The period from and including the First Call Date to, but excluding, the following Reset Date, and each successive period thereafter from and including such Reset Date to, but excluding, the next succeeding Reset Date
SENIOR OBLIGATIONS	All unsubordinated payment obligations of the Bank (including deposit holders and general creditors) and all subordinated payment obligations (if any) of the Bank to which the Obligations rank, or are expressed to rank, junior
SHARES	The ordinary shares of nominal value of Baiza 100 of the Bank
SHAREHOLDERS	The shareholders of the Bank
SME	Small and medium enterprises
TAX EVENT	On the occasion of the next payment due under the Perpetual Bonds, the Bank has or will become obliged to pay additional amounts (whether or not a Non-Payment Event has occurred or a Non-Payment Election has been made), as a result of any change in, or amendment to or interpretation of, the laws, published practice or regulations of Oman or any change in the

	application or interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date and such requirement cannot be avoided by the Bank taking reasonable measures available to it
TAX REDEMPTION AMOUNT	In relation to a Perpetual Bond, means its outstanding principal amount together with any Outstanding Payments
TIER 1 CAPITAL	Capital qualifying as, and approved by the Regulator as, tier 1 capital in accordance with the Capital Regulations
TIER 2 CAPITAL	Capital qualifying as, and approved by the Regulator as, tier 2 capital in accordance with the Capital Regulations
TRUST DEED	The agreement between the Bank (as Issuer) and MCDC (as Trustee) in respect of the Perpetual Bonds
TRUSTEE	MCDC or any successor body thereto and includes all persons who may be appointed trustee under the terms of the Trust Deed to act for and on behalf of the holders of Perpetual Bonds as their representative
WRITE-DOWN	(a) the Perpetual Bonds shall be cancelled (in the case of a write-down in whole) or written-down in part on a *pro rata* basis (in the case of a write-down in part) as determined by the Bank in conjunction with the Regulator in accordance with the Capital Regulations; and (b) all rights of any holder of Perpetual Bonds for payment of any amounts under or in respect of the Perpetual Bonds (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) shall, as the case may be, be cancelled in whole or written-down in part *pro rata* among the holders of the Perpetual Bonds and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date and even if the Non-Viability Event has ended. For the avoidance of doubt, with respect to paragraphs (a) and (b) of this definition, the Write-down will be full and permanent where the Regulator has determined, under paragraph (b) in the definition of Non-Viability Event, that a public sector injection of capital or equivalent support is required and shall occur prior to any public sector injection of such capital or equivalent support

Interpretations

In this Prospectus:

- Headings and underlining are for convenience only and do not affect the interpretation of the Prospectus.

- Words importing the singular include the plural and vice versa.
- An expression importing a natural person includes any juristic person.
- In case a day on which an action or event is required to take place pursuant to the Conditions falls on a day that is not a Business Day, then that action or event will take place immediately on the following Business Day.

CHAPTER 2: CREDIT RATING

Issuer Rating

Issuer ratings are opinions of rating agencies of the ability of entities to honour senior unsecured debt and debt like obligations. As such, issuer ratings incorporate any external support that is expected to all current and future issuance of senior unsecured financial obligations and contracts, such as explicit support stemming from a guarantee of all senior unsecured financial obligations and contracts, and/or implicit support for issuers subject to joint default analysis (e.g. government-related issuers). Issuer ratings do not incorporate support arrangements, such as guarantees, that apply only to specific (but not to all) senior unsecured financial obligations and contracts.

The Issuer has been assigned the following long-term rating:

Rating Agency	Rating	Outlook	Date of last revision
FITCH Ratings	BB+	Negative	8 November 2018
Capital Intelligence	BBB-	Stable	17 April 2018
Moody’s Rating	Ba1	Negative	4 October 2018

About Fitch Ratings

Fitch is a leading provider of credit ratings, research, and risk analysis. The firm's ratings and analysis track debt covering sovereign nations, corporate issuers, public finance issuers and structured finance obligations.

ISSUER DEFAULT RATINGS

Category	Brief description
AAA	**Highest credit quality** 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	**Very high credit quality** 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	**High credit quality** 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	**Good credit quality** 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

BB	**Speculative** 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the service of financial commitments.
B	**Highly speculative** 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	**Substantial credit risk** Default is a real possibility.
CC	**Very high levels of credit risk** Default of some kind appears probable.
C	**Near default** A default or default-like process has begun, or the issuer is in standstill, or for a closed funding vehicle, payment capacity is irrevocably impaired. Conditions that are indicative of a 'C' category rating for an issuer include: a. the issuer has entered into a grace or cure period following non-payment of a material financial obligation; b. the issuer has entered into a temporary negotiated waiver or standstill agreement following a payment default on a material financial obligation; c. the formal announcement by the issuer or their agent of a distressed debt exchange; d. a closed financing vehicle where payment capacity Is irrevocably impaired such that it is not expected to pay interest and/or principal in full during the life of the transaction, but where no payment default is imminent.
RD	**Restricted default** 'RD' ratings indicate an issuer that in Fitch's opinion has experience: a. an uncured payment default on a bond, loan or other material financial obligation, but b. has not entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, and c. has not otherwise cased operating. This would include: i. the selective payment default on a specific class or currency of debt; ii. the uncured expiry of any applicable grace period, cure period or default forbearance period following a payment default on a bank loan, capital markets security or other material financial obligation; iii. the extension of multiple waivers or forbearance periods upon a payment default on one or more material financial obligations, either in series or in parallel; ordinary execution of a distressed debt exchange on one or more material financial obligations.

D	**Default** 'D' ratings indicate an issuer that in Fitch's opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure or that has otherwise ceased business. Default ratings are not assigned prospectively to entities or their obligations; within this context, non-payment on an instrument that contains a deferral feature or grace period will generally not be considered a default until after the expiration of the deferral or grace period, unless a default is otherwise driven by bankruptcy or other similar circumstance, or by a distressed debt exchange. In all cases, the assignment of a default rating reflects the agency's opinion as to the most appropriate rating category consistent with the rest of its universe of ratings and may differ from the definition of default under the terms of an issuer's financial obligations or local commercial practice.

About Capital Intelligence Ratings

Capital Intelligence is a leading provider of credit ratings, research, and risk analysis. The firm's ratings and analysis track debt covering sovereign nations, corporate issuers, public finance issuers and structured finance obligations.

Foreign Currency and Local Currency Ratings
International Issuer Credit Ratings: Foreign Currency and Local Currency CI's international issuer credit ratings indicate the general creditworthiness of an entity (such as a bank, corporate or sovereign) and the likelihood that it will meet its financial obligations in a timely manner. Foreign currency ratings refer to an entity's ability and willingness to meet its foreign currency denominated financial obligations as they come due. Foreign currency ratings take into account the likelihood of a government imposing restrictions on the conversion of local currency to foreign currency or on the transfer of foreign currency to residents and non-residents. Local currency ratings are an opinion of an entity's ability and willingness to meet all of its financial obligations on a timely basis, regardless of the currency in which those obligations are denominated and absent transfer and convertibility restrictions. Both foreign currency and local currency ratings are internationally comparable assessments. Foreign and local currency ratings take into account the economic, financial and country risks that may affect creditworthiness, as well as the likelihood that an entity would receive external support in the event of financial difficulties. Ratings assigned to banks and corporates are generally not higher than the ratings assigned by CI to the relevant sovereign government. However, it may be possible for an issuer with particular strengths and attributes such as inherent financial strength, geographically diversified cash flow, substantial foreign assets, and guaranteed external support, to be rated above the sovereign. CI may assign either a public rating or an internal 'shadow' rating to the sovereign. Shadow sovereign ratings are not intended for publication and are used to ensure that sovereign risk factors are adequately reflected in the ratings of non-sovereign issuers.

The following rating scale applies to both foreign currency and local currency ratings. Short-term ratings assess the time period up to one year. **Long-Term Issuer Ratings**	
Investment Grade	
AAA	The highest credit quality. Exceptional capacity for timely fulfilment of financial obligations and most unlikely to be affected by any foreseeable adversity. Extremely strong financial condition and very positive non-financial factors.
AA	Very high credit quality. Very strong capacity for timely fulfilment of financial obligations. Unlikely to have repayment problems over the long term and unquestioned over the short and medium terms. Adverse changes in business, economic and financial conditions are unlikely to affect the institution significantly.
A	High credit quality. Strong capacity for timely fulfilment of financial obligations. Possesses many favourable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions.
BBB	Good credit quality. Satisfactory capacity for timely fulfilment of financial obligations. Acceptable credit characteristics but some vulnerability to adverse changes in business, economic and financial conditions. Medium grade credit characteristics and the lowest investment grade category.
Speculative Grade	
BB	Speculative credit quality. Capacity for timely fulfilment of financial obligations is vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors do not provide significant safeguard and the possibility of investment risk may develop.
B	Significant credit risk. Capacity for timely fulfilment of financial obligations is very vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors provide weak protection; high probability for investment risk exists.
C	Substantial credit risk is apparent and the likelihood of default is high. Considerable uncertainty as to the timely repayment of financial obligations. Credit is of poor standing with financial and/or non-financial factors providing little protection.
RS	Regulatory supervision (this rating is assigned to financial institutions only). The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.
SD	Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.
D	The obligor has defaulted on all, or nearly all, of its financial obligations.
Short-Term Issuer Ratings	
Investment Grade	

A1	Superior credit quality. Highest capacity for timely repayment of short-term financial obligations that is extremely unlikely to be affected by unexpected adversities. Institutions with a particularly strong credit profile have a “+” affixed to the rating.
A2	Very strong capacity for timely repayment but may be affected slightly by unexpected adversities.
A3	Strong capacity for timely repayment that may be affected by unexpected adversities.
Speculative Grade	
B	Adequate capacity for timely repayment that could be seriously affected by unexpected adversities.
C	Inadequate capacity for timely repayment if unexpected adversities are encountered in the short term.
RS	Regulatory supervision (this rating is assigned to financial institutions only). The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.
SD	Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.
D	The obligor has defaulted on all, or nearly all, of its financial obligations.
Capital Intelligence appends "+" and "-" signs to foreign and local currency **long term** ratings in the categories from "AA" to "C" to indicate that the strength of a particular rated entity is, respectively, slightly greater or less than that of similarly rated peers.	
Outlook - expectations of improvement, no change or deterioration in a bank or corporate rating over the 12 months following its publication are denoted Positive, Stable or Negative. The time horizon for a sovereign rating outlook is longer, at 12-24 months.	

About Moodys Ratings

Moodys is a leading provider of credit ratings, research, and risk analysis. The firm's ratings and analysis track debt covering sovereign nations, corporate issuers, public finance issuers and structured finance obligations.

GLOBAL LONG-TERM RATING SCALE

Category	Brief description
Aaa	Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A	Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

GLOBAL SHORT-TERM RATING SCALE

Category	Brief description
P-1	Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
P-2	Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.
P-3	Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.
NP	Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories

CHAPTER 3: SUMMARY OF THE ISSUE

Issuer:	Sohar International Bank SAOG
Commercial Registration No.	1014333 established on 4 March 2007
Principal place of business	PO Box 44, PC 114, Hai Al Mina, Oman
Bank's duration	Unlimited
Authorised Share Capital	RO 400,000,000 divided into 4,000,000,000 shares of Baiza 100 each
Issued & Paid up Capital	RO 198,264,639 divided into 1,982,646,391 shares of Baiza 100 each
Credit rating	The Perpetual Bonds are not rated. However, the Bank is rated as under – Long-term Issuer Default Rating of BB+ (Negative outlook) by FITCH Ratings on 8 November 2018 Financial Strength Rating of BBB- (Stable outlook) by Capital Intelligence as of date 17 April 2018 Long-term Counterparty Risk Rating of Ba1 (Negative outlook) by Moody's Rating on 4 October 2018
Nature of securities offered	Unsecured subordinated perpetual bonds as Additional Tier I Capital Instruments
Issue	Issue of up to 100,000 Perpetual Bonds comprising of an issue of up to 70,000 Perpetual Bonds with a Green Shoe Option up to an 30,000 additional Perpetual Bonds on Private Placement basis, at a price of RO 1,000 per Perpetual Bond, aggregating up to RO 100 million
Nominal value of Perpetual Bonds	RO 1,000 per Perpetual Bond
Initial Interest Rate	7.50% per annum
Tenor	Perpetual. The Perpetual Bonds do not have a fixed / final date of redemption or maturity.
Purpose of the issue	The net proceeds from the issue of Perpetual Bonds will be used by the Bank to increase its Additional Tier 1 Capital for the purpose of increasing its capital adequacy and for its general corporate purposes.
Issue Date:	means the date of approval of the Allotment of the Perpetual Bonds by the CMA
Issue period	Opening Date: 5 March 2019 Closing Date: 11 March 2019

Minimum and Maximum application	Minimum application – 100 Perpetual Bonds Maximum application – 100,000 Perpetual Bonds
Listing of Perpetual Bonds	Perpetual Bonds to be listed on MSM
Financial Advisor & Issue Manager:	Gulf Baader Capital Markets SAOC PO Box 974, PC 112, Ruwi, Oman Tel: +968 22350700 Fax: +968 22350745 Email: cfd@gbcmoman.net
Registrar and Trustee:	Muscat Clearing and Depository Company SAOC PO Box 952, PC 112, Ruwi, Oman Tel: +968 24822222, Fax: +968 24817491
Legal Advisor to the Issue	Nasser Al Habsi & Saif Al Mamari Law Firm PO Box 4, PC 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 PO Box 1750, PC 112, Ruwi, Oman Tel: +968 24559559, Fax: +968 24566043 Email: Nitin.Hundia@om.ey.com
Collecting Bank	Sohar International Bank SAOG PO Box 44, PC 114 Hai Al Mina, Oman Tel: +968 24730000, Fax: +968 24730010 Email: assetmanagement@soharinternational.com
Approval for the Issue	Resolution of shareholders' Extraordinary General Meeting dated 18 December 2018. In-principle approval received from CBO, vide its letter no. BSD/2019/BKUP/SIB/005 dated 8 January 2019. Approval received from CMA vide its Administrative Decision No. K / 26 / 2019 dated 28 February 2019.
Interest Payment Dates:	Every six months from the First Interest Payment Date.
Interest Payment Amounts:	Subject to Condition 5 (*Interest Restrictions*), the Perpetual Bonds shall bear interest semi-annually in arrears from the Issue Date. The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be RO 37.50 per RO 1,000 on the

outstanding principal amount of the Perpetual Bonds and shall be payable out of Distributable Items. The Interest Rate will be reset on each Reset Date on the basis of the aggregate of the Initial Margin of 2.50% per annum and the Relevant 5 Year Reset Rate on the relevant Determination Date, as determined by the Bank (see Condition 4 (*Interest*)).

If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Bank shall not pay the corresponding Interest Payment Amounts on the relevant Interest Payment Date and the Bank shall not have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 5 (*Interest Restrictions*). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Perpetual Bonds will have no right to receive such interest at any time, even if interest is paid in the future.

Status of the Perpetual Bonds:

The Perpetual Bonds to the Bank will:

(a) constitute Additional Tier 1 Capital of the Bank;

(b) constitute direct, unsecured, unconditional and subordinated obligations of the Bank that rank *pari passu* amongst themselves;

(c) rank junior to all Senior Obligations;

(d) rank *pari passu* with *Pari Passu* Obligations; and

(e) rank in priority only to all Junior Obligations.

Redemption and Variation:

The Perpetual Bonds are perpetual securities in respect of which there is no fixed or final redemption date. The Perpetual Bonds may be redeemed in whole but not in part, or the terms thereof may be varied by the Bank only in accordance with the provisions of Condition 7 (*Redemption and Variation*).

Pursuant to Condition 7.1(b) (*Bank's Call Option*), the Bank may, on the First Call Date or on any Call Date thereafter, redeem all, but not some only, of the Perpetual Bonds at the Early Redemption Amount.

For the avoidance of doubt, the Bank shall not do anything which creates an expectation that the Bank's call option will be exercised.

In addition (on any date on or after the Issue Date, whether or not an Interest Payment Date), upon the occurrence of a Tax Event or a Capital Event, all but not some only, of the Perpetual Bonds may be redeemed or the terms of the Perpetual Bonds may be varied, in each case in accordance with Conditions 7.1(c) (*Redemption*

	or Variation due to Taxation) and 7.1(d) (*Redemption or Variation for Capital Event*). Any redemption of the Perpetual Bonds is subject to the conditions described in Condition 7.1 (*Redemption and Variation*).
Non-Viability Event:	If a Non-Viability Event occurs, a Write-down shall occur on the relevant Non-Viability Event Write-down Date, as more particularly described in Condition 8 (*Write-down at the Point of Non-Viability*). In such circumstances, the rights of the holders of the Perpetual Bonds to payment of any amounts in respect of the Perpetual Bonds shall, as the case may be, be cancelled or written-down permanently *pro rata* among the holders of the Perpetual Bonds. See *Risk Factor 3.5*
Events of Default:	Upon the occurrence of an Event of Default, any holder of the Perpetual Bonds may give written notice to the Bank, effective upon the date of receipt thereof by the Bank, that such Perpetual Bond is due and payable, whereupon the same shall, subject to Condition 7.1 (*Redemption and Variation*), become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment without presentation, demand, protest or other notice of any kind.
Withholding Tax:	All payments in respect of the Perpetual Bonds will be made subject to deduction for or on account of withholding taxes imposed by Oman, as applicable on the date of payment, subject as provided in Condition 10 (*Taxation*).
Governing Law and Jurisdiction:	The Perpetual Bonds and any non-contractual obligations arising out of or in connection with the Perpetual Bonds will be governed by, the laws of Oman.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Perpetual Bonds in the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the State of Kuwait, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar and such other restrictions as may be required in connection with the offering and sale of the Perpetual Bonds.

CHAPTER 4: TERMS AND CONDITIONS OF THE ISSUE

RECITALS

The following are the text of the Terms and Conditions of the Perpetual Bonds (except for the text in italics) (the Conditions).

A. Each of the Perpetual Bonds as Additional Tier 1 Capital Instruments, and any further perpetual capital securities issued pursuant to Condition 13(Further Issues), is issued by Sohar International Bank SAOG in its capacity as Issuer.

B. Any reference to holders in relation to any Perpetual Bonds shall mean the persons in whose name the Perpetual Bonds are registered in the Register.

1 FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

Each Perpetual Bond shall have a nominal value of RO 1,000 and shall be fully paid-up at the time of its issue. Each Perpetual Bond will be recorded in the Register.

1.2 Title

The MCDC shall act as the Registrar with respect to the Perpetual Bonds and shall also act as the Trustee in accordance with the terms of the Trust Deed, which shall be entered into by and between the Issuer and the Trustee. The title to the Perpetual Bonds passes on the recordation of the transfer in the Register. The registered owner of the Perpetual Bonds will, save as otherwise required by the Laws of Oman, be treated as the absolute owner of the Perpetual Bonds for all purposes.

2 TRANSFERS OF PERPETUAL BONDS

2.1 Transfers of interest in Perpetual Bonds

MCDC will record the transfers of Perpetual Bonds and will maintain the Register which will include the names and addresses, the number of Perpetual Bonds held and the bank account details of the holders. The minimum quantity of Perpetual Bonds that can be transferred and the process of transfer shall be in accordance with the CMA and MSM regulations.

2.2 Costs of registration

Any transaction or other charges levied by the MCDC shall be borne by the buyer and/or the seller of the Perpetual Bonds in accordance with the prevailing regulations. All transfers of Perpetual Bonds and entries on the Register will be made subject to the regulations concerning transfer of Perpetual Bonds.

3 STATUS AND SUBORDINATION

3.1 Status of the Perpetual Bonds

Each Perpetual Bond will rank *pari passu* without preference or priority, with all other Perpetual Bonds of this Issue.

3.2 **Subordination of the Perpetual Bonds**

(a) The Obligations of the Bank will:

(i) constitute Additional Tier 1 Capital of the Bank,

(ii) constitute direct, unsecured, unconditional and subordinated obligations of the Bank that rank *pari passu* amongst themselves;

(iii) rank junior to all Senior Obligations;

(iv) rank *pari passu* with all *Pari Passu* Obligations;

and (v) rank in priority only to all Junior Obligations.

(b) Subject to applicable law, no holder of the Perpetual Bonds may exercise or claim any right of set off in respect of any amount owed to it by the Bank arising under or in connection with the Perpetual Bonds and each holder of the Perpetual Bonds shall, by virtue of being a holder of the Perpetual Bonds, be deemed to have waived all such rights of set-off.

(c) In accordance with these Conditions, the Obligations shall be neither secured nor guaranteed by any entity and shall not be subject to any other arrangement which, either legally or economically or otherwise, enhances the seniority of the claims of holders of the Perpetual Bonds in respect of the Obligations compared with the claims of holders or beneficiaries of Senior Obligations.

4 INTEREST

4.1 **Interest Payments**

Subject to Condition 5 (*Interest Restrictions*), the Perpetual Bonds bear interest during the Initial Period at the Initial Interest Rate on the outstanding principal amount of the Perpetual Bonds in accordance with the provisions of this Condition 4. The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be RO 37.5 per RO 1,000 in principal amount of the Perpetual Bonds. The Perpetual Bonds shall bear interest from each Reset Date to the next Reset Date at the then Relevant 5 Year Reset Rate.

Subject to Condition 5 (*Interest Restrictions*), interest shall be payable on the Perpetual Bonds semi-annually in arrears on each Interest Payment Date, in each case as provided in this Condition 4. Interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Perpetual Bonds will have no right to receive such interest at any time, even if interest is paid in respect of any subsequent Interest Period.

If interest is required to be calculated in respect of a period of less than a full Interest Period (the **Relevant Period**), it shall be calculated in RO as an amount equal to the product of:

the applicable Interest Rate (x) the outstanding principal amount of the Perpetual Bond (x) the applicable Day-count Fraction for the Relevant Period.

Rounding the resultant figure to the nearest Baiza (half a Baiza being rounded upwards).

(a) **Interest Rate**

For the purpose of calculating payments of interest on and from the First Call Date, the interest rate will be reset on each Reset Date on the basis of the aggregate of the Initial Margin and the Relevant 5 Year Reset Rate on the Determination Date, as determined by the Bank. For the avoidance of doubt, the reset shall apply to the Relevant 5 Year Reset Rate and not to the Initial Margin.

The Bank will, as soon as practicable upon determination of the Interest Rate which shall apply to the Reset Period commencing on the relevant Reset Date, cause the applicable Interest Rate and the corresponding Interest Payment Amount to be notified to holders of the Perpetual Bonds in accordance with Condition 12 (*Notices*) as soon as possible after their determination but in no event later than the second Business Day thereafter.

(b) **Determinations of the Bank are Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, shall (in the absence of wilful default, bad faith or manifest error) be binding on the holders of the Perpetual Bonds and (in the absence of wilful default, bad faith or manifest error) no liability to the holders of the Perpetual Bonds shall attach to the Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5 INTEREST RESTRICTIONS

5.1 Non-Payment Event

Notwithstanding Condition 4.1 (*Interest Payments*), if any of the following events occurs, Interest Payment Amounts shall not be paid on any Interest Payment Date:

(a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Bank on any Pari Passu Obligations, having the same dates in respect of payment of such distributions or amounts as, or otherwise due and payable on, the dates for payment of Interest Payment Amounts, exceed, on the relevant date for payment of such Interest Payment Amounts, Distributable Items;

(b) the Bank is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of capital buffers imposed on the Bank by the Regulator) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof; or

(c) the Regulator requires that the Interest Payment Amount due on that Interest Payment Date shall not be paid.

5.2 Non-Payment Election

Notwithstanding Condition 4.1 (*Interest Payments*), the Bank may in its sole discretion make a Non-Payment Election. The foregoing shall not apply in respect of any amounts due on any date on which the Perpetual Bonds are to be redeemed in full in accordance with Condition 7.1 (*Redemption and Variation*).

For the avoidance of doubt, the Bank will have the right to otherwise use any Interest Payment Amounts not paid to holders of the Perpetual Bonds and such non-payment will not impose any *restriction on the Bank other than as set out in Condition 5.4 (Dividend and Redemption Restrictions).*

5.3 **Effect of Non-Payment Event or Non-Payment Election**

If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Bank shall give notice to the holders of the Perpetual Bonds in accordance with Condition 12 (*Notices*) in each case providing details of the Non Payment Election or Non-Payment Event:

(a) in the case of a Non-Payment Election, 14 calendar days prior to such event, and

(b) in the case of a Non-Payment Event, as soon as practicable thereafter but in any case no later than one Business Day prior to the relevant Interest Payment Date.

Holders of the Perpetual Bonds shall have no claim in respect of any Interest Payment Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event and any non-payment of an Interest Payment Amount in such circumstances shall not constitute an Event of Default. The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid Interest Payment Amount.

5.4 **Dividend and Redemption Restrictions**

If any Interest Payment Amount is not paid as a consequence of a Non-Payment Event or a Non-Payment Election pursuant to Condition 5.1 (*Non-Payment Event*) or 5.2 (*Non-Payment Election*) (as the case may be), then, from the Dividend Stopper Date, the Bank will not, so long as any of the Perpetual Bonds are outstanding:

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

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

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

(d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Bank ranking, as to the right of repayment of capital, junior to or *pari passu* with the Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the Applicable Regulatory Capital Requirements,

in each case unless or until one Interest Payment Amount following such Dividend Stopper Date has been paid in full.

6 PAYMENTS

6.1 Payments in respect of Perpetual Bonds

Subject as provided below, payments will be made by credit or transfer to the holder's bank account registered with MCDC (**Designated Account**).

Payments of principal in respect of each Perpetual Bond will be made to the Designated Account of the holder of the Perpetual Bond appearing in the Register . Notwithstanding the previous sentence, if a holder of Perpetual Bond does not have a Designated Account payment will instead be made by a cheque in RO drawn on a Designated Bank (as defined below).

Interest payments in respect of each Perpetual Bond will be made to the Designated Account of the holder of the Perpetual Bond appearing in the Register on or before the relevant due date at his address shown in the Register on such date and at his risk. Interest Payment Amounts due in respect of each Perpetual Bond on redemption will be made in the same manner as payment of the principal amount of such Perpetual Bond.

Holders of Perpetual Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Perpetual Bond as a result of any payment being made by cheque. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Perpetual Bonds.

6.2 Payment Day

If the date for payment of any amount in respect of the Perpetual Bonds is not a Business Day, the holder of the Perpetual Bond thereof shall not be entitled to receive payment until the next following Business Day and shall not be entitled to further interest or other payment in respect of such delay.

6.3 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Perpetual Bonds shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 10 (*Taxation*);

(b) the Early Redemption Amount of the Perpetual Bonds;

(c) the Capital Event Redemption Amount of the Perpetual Bonds; and

(d) the Tax Redemption Amount of the Perpetual Bonds.

Any reference in the Conditions to interest in respect of the Perpetual Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to distributions under Condition 10 (*Taxation*).

7 REDEMPTION AND VARIATION

7.1 Redemption and Variation

(a) ***No Fixed Redemption Date and Conditions for Redemption and Variation***

The Perpetual Bonds are perpetual securities in respect of which there is no fixed or final redemption date and the Bank shall (subject to the provisions of Condition 9 (Events of Default) and without prejudice to the provisions of Condition 11 (*Prescription*)) only have the right to redeem the Perpetual Bonds or vary the terms thereof in accordance with the following provisions of this Condition 7.

The redemption of the Perpetual Bonds or variation of the Conditions, in each case pursuant to this Condition 7, is subject to the prevailing laws of Oman and the following conditions:

(i) the prior consent of the Regulator;

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

(iii) (in the case of Conditions 7.1(c) (*Redemption or Variation due to Taxation*) or 7.1(d) (*Redemption or Variation for Capital Event*) only) the change of law or regulation or change in interpretation giving rise to the right to redeem the Perpetual Bonds becomes effective after the Issue Date,

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

(b) ***Bank's Call Option***

Subject to Condition 7.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), the Bank may, by giving not less than 30 nor more than 60 days' prior notice to the holders of the Perpetual Bonds in accordance with Condition 12 (*Notices*) (which notices shall be irrevocable and specify the date fixed for redemption) redeem all, but not some only, of the Perpetual Bonds at the Early Redemption Amount.

Redemption of the Perpetual Bonds pursuant to this Condition 7.1(b) may only occur on the First Call Date or any Call Date thereafter.

For the avoidance of doubt, the Bank shall not do anything which creates an expectation that the Bank's call option will be exercised.

(c) ***Redemption or Variation due to Taxation***

(i) Subject to Condition 7.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Tax Event, the Bank may, by giving not less than 30 nor more than 60 days' prior notice (unless the implementation date for the change in tax laws, or amendment to or interpretation of the tax laws, which results in the Tax Event occurs in less than 30 days, in which case the Bank may give notice at any time after the relevant implementation date) to the holders of the Perpetual Bonds in accordance with Condition 12 (*Notices*), which notices shall be irrevocable:

(A) redeem all, but not some only, of the Perpetual Bonds at the Tax Redemption Amount; or

(B) vary the terms of the Perpetual Bonds so that they remain or, as appropriate, become, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the holders of the Perpetual Bonds.

(ii) Redemption of the Perpetual Bonds, or variation of the Conditions, pursuant to this Condition 7.1(c) may occur on any date on or after the Issue Date (whether or not an Interest Payment Date), **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such additional amounts were a payment in respect of the Perpetual Bonds then due.

The Capital Regulations, as in force from time to time, may oblige the Bank to demonstrate to the satisfaction of the Regulator that (among other things) the Tax Event was not reasonably foreseeable at the Issue Date.

(d) ***Redemption or Variation for Capital Event***

(i) Subject to Condition 7.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Capital Event, the Bank may, by giving not less than 30 nor more than 60 days' prior notice to the holders of the Perpetual Bonds in accordance with Condition 12 (*Notices*), which notice shall be irrevocable:

A) redeem all, but not some only, of the Perpetual Bonds at the Capital Event Redemption Amount; or

(B) solely for the purpose of ensuring compliance with Applicable Regulatory Capital Requirements vary the terms of the Perpetual Bonds so that they remain or, as appropriate, become, Qualifying Tier 1 Instruments without any requirement for consent or approval of the holders of the Perpetual Bonds.

(ii) Redemption of the Perpetual Bonds, or variation of the Conditions, pursuant to this Condition 7.1(d) may occur on any date on or after the Issue Date (whether or not an Interest Payment Date).

The Capital Regulations (as in force from time to time) may oblige the Bank to demonstrate to the satisfaction of the Regulator that (among other things) the Capital Event was not reasonably foreseeable at the Issue Date.

(e) ***Taxes upon Variation***

In the event of a variation in accordance with Conditions 7.1(c) (*Redemption or Variation due to Taxation*) or 7.1(d) (Redemption or Variation for Capital Event), the Bank will not be obliged to pay and will not pay any liability of any holder of the Perpetual Bonds to corporation tax, corporate income tax or tax on profits or gains or any similar tax arising in respect of the variation of the terms of the Perpetual Bonds **provided that** (in the case of a Tax Event) or so that (in the case of a Capital Event) they remain or, as appropriate, become, Qualifying Tier 1 Instruments, including in respect of any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such holder of the Perpetual Bonds.

7.2 Purchase

Subject to the Bank:

(a) obtaining the prior written consent of the Regulator;

(b) being in compliance with the Applicable Regulatory Capital Requirements and

(c) complying with any requirements of the Capital Market Authority,

the Bank may at any time after the First Call Date purchase, some or all, of the Perpetual Bonds at any price in the open market or otherwise. Such Perpetual Bonds must be cancelled by the Bank.

7.3 Cancellation

All Perpetual Bonds which are redeemed will forthwith be cancelled. All Perpetual Bonds so cancelled and any Perpetual Bonds purchased and cancelled pursuant to Condition 7.2 (*Purchase*) above shall be forwarded to the Bank and cannot be reissued or resold.

8 WRITE-DOWN AT THE POINT OF NON-VIABILITY

8.1 Non-Viability Event

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 8.2 (*Non-Viability Notice*) below.

A Non-Viability Event means that upon the occurrence of a trigger event, which, in accordance with the definition of Non-Viability Event, is the earlier of (a) the Regulator having notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without a Write-down or (b) a decision having been taken to make a public sector injection of capital or equivalent support, without which the Bank is, or will become, Non-Viable, the Perpetual Bonds shall be permanently written down in whole or in part, as further provided in the definition of Write-down, as determined by the Bank in conjunction with the Regulator in accordance with the Capital Regulations.

For the avoidance of doubt, where the Regulator has determined that a public sector injection of capital (or equivalent support) is required, the Write-down will be full and permanent, and shall occur prior to any public sector injection of such capital or equivalent support.

Non-Viable in respect of the Bank means (i) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business; or (ii) any other event or circumstance which is specified as constituting non-viability by the Regulator or as is set out in the applicable banking regulations.

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

A Write-down will only take place after the approval of the CBO.

Although this will depend on the terms of other financing arrangements to which the Bank is a party as an obligor, the Bank believes that, as a result of a Write-down not constituting an Event *of Default under the Conditions, such Write-down will not trigger cross-default clauses in such other financing arrangements.*

It is the Bank's intention at the date of this Prospectus that a Write-down will take place: (1) after the Shares of the Bank absorb losses (if and to the extent such loss absorption is permitted at the relevant time under all relevant rules and regulations applicable to the Bank at such time) and the Regulator has not notified the Bank in writing that the relevant Non-Viability Event has been cured as a result of such loss absorption; (2) simultaneously with the write-down of any of the Bank's other obligations in respect of Tier 1 Capital and other instruments related to the Bank's other obligations constituting Tier 1 Capital; and (3) prior to the write-down of any of the Bank's other obligations in respect of Tier 2 Capital and other instruments related to the Bank's other obligations constituting Tier 2 Capital, ***provided that****, in the case of (2) and (3) above, this will only apply to the extent such other instruments have contractual provisions for such analogous write-down at the point of non-viability or are subject to a statutory framework that provides for such analogous write-down.*

8.2 **Non-Viability Notice**

If a Non-Viability Event occurs, on the third Business Day following the occurrence of such Non-Viability Event (or such earlier date as determined by the Regulator), the Bank will provide a Non-Viability Notice to the holders of the Perpetual Bonds thereof in accordance with Condition 12 (*Notices*). Upon provision of such Non-Viability Notice, a Write-down of the Perpetual Bonds shall take place on the Non-Viability Event Write-down Date and, with effect from such date, holders shall not be entitled to any claim for any amount subject to such Write-down in connection with the Perpetual Bonds. Any such Write-down shall not constitute an Event of Default. Holders of the Perpetual Bonds acknowledge that there shall be no recourse to the Regulator in respect of any determination made by it with respect to the occurrence of a Non-Viability Event.

Following any Write-down of the Perpetual Bonds in accordance with this Condition:

(a) references in these Conditions to the principal amount or outstanding principal amount of the Perpetual Bonds shall be construed as referring to the written-down amount;

(b) the principal amount so written down will be cancelled and interest will continue to accrue only on the outstanding principal amount following such cancellation, subject to Conditions 5.1 (*Non-Payment Event*) and 5.2 (*Non-Payment Election*) as described herein; and

(c) any amounts so written down may not be restored and holders of the Perpetual Bonds shall not have any claim thereto under any circumstances, including, without limitation

  (i) where the relevant Non-Viability Event is no longer continuing,

  (ii) in the event of the liquidation or winding-up of the Bank,

  (iii) following the exercise of a call option by the Bank pursuant to Condition 7.1(b)(*Bank's Call Option*), or

  (iv) following the redemption or variation of the Perpetual Bonds upon the occurrence of a Tax Event (pursuant to Condition 7.1(c) (*Redemption or Variation due to Taxation*)) or a Capital Event (pursuant to Condition 7.1(d) (*Redemption or Variation for Capital Event*)).

9 EVENTS OF DEFAULT

Notwithstanding any of the provisions below in this Condition, the right to institute winding-up proceedings is limited to circumstances where payment has become due. In the case of any payment of interest in respect of the Perpetual Bonds, such payment may be cancelled pursuant to Condition 5 (Interest Restrictions) and, if so cancelled will not be due on the relevant payment date and, in the case of payment of principal, such payment is subject to the conditions set out in Condition 7.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation) being met and if these conditions are not met will not be due on such payment date.

Upon the occurrence of an Event of Default, any holder of the Perpetual Bonds may give written notice to the Bank at the registered office of the Bank, effective upon the date of receipt thereof by the Bank, that such Perpetual Bond is due and payable, whereupon the same shall, subject to Condition 7.1 (*Redemption and Variation*), become forthwith due and payable at its Early Redemption Amount, together with interest due and payable under the Conditions (if any) to the date of repayment without presentation, demand, protest or other notice of any kind.

To the extent permitted by applicable law and by these Conditions, any holder of the Perpetual Bonds may at its discretion institute proceedings for the winding-up of the Bank and/or prove in the winding-up of the Bank and/or claim in the liquidation of the Bank for such payment, but the institution of such proceedings shall not have the effect that the Bank shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

No remedy against the Bank, other than the institution of the proceedings referred to in this Condition, and the proving or claiming in any dissolution and liquidation of the Bank, shall be available to the holders of the Perpetual Bonds, whether for the recovery of amounts owing in respect of the Perpetual Bonds or in respect of any breach by the Bank of any other obligation, condition or provision binding on it under the Perpetual Bonds.

10 TAXATION

All payments of principal and interest in respect of the Perpetual Bonds by the Bank will be made subject to any withholding or deduction for or on account of any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature imposed or levied by or on behalf of Oman or any political sub-division or authority thereof or therein having the power to tax unless such withholding or deduction is required by law.

11 PRESCRIPTION

Subject to applicable law, claims for payment in respect of the Perpetual Bonds will become void unless made within a period of ten years (in the case of principal) and 5 years (in the case of interest) after the Relevant Date thereof.

12 NOTICES

All notices to the holders of the Perpetual Bonds will be valid if mailed to them at their respective addresses in the Register. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

Notices to be given by any holder of the Perpetual Bonds shall be in writing and given by lodging the same with the registered office of the Bank.

13 FURTHER ISSUES

The Bank may from time to time without the consent of the holders of the Perpetual Bonds, create and issue further instruments ranking *pari passu* in all respects (or in all respects save for the date from which distributions or interest thereon accrue and the amount and date of the first distributions or interest thereon (or such other equivalent amount) on such further instrument). References in these Conditions to the Perpetual Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13.

14 MEETINGS OF HOLDERS OF THE PERPETUAL BONDS AND MODIFICATION

The holders of Perpetual Bonds have the right to participate in meetings of holders of Perpetual Bonds in accordance with the provisions of the Trust Deed and articles 91 to 94 of the CCL.

The resolutions legally adopted at a meeting of the holders of the Perpetual Bonds shall be binding on all the holders of Perpetual Bonds.

A meeting of the holders of the Perpetual Bonds of a certain issue shall be convened by means of a notice published in, at least, two daily newspapers on two consecutive days and shall be sent to each holder of the Perpetual Bonds 15 days, at least, prior to the date specified for the meeting and the invitation shall not be valid unless it includes the agenda of the meeting.

The resolutions of the holders of the Perpetual Bonds shall not be valid unless such meeting is attended by, personally, or by proxy, a number of holders of the Perpetual Bonds representing at least two-thirds of the Perpetual Bonds of a certain issue. Failing such quorum, a second meeting shall be convened to discuss the same agenda. The date of the second meeting of the holders of the Perpetual Bonds shall be notified to the holders of the Perpetual Bonds in the same manner followed with regard to the first meeting of holders of the Perpetual Bonds, one week, at least, prior to the date set for the second meeting. A quorum representing one-third of the Perpetual Bonds shall be sufficient for the second meeting provided the second meeting is held within one month from the date of the first meeting. However, a resolution to reduce the interest rate of the Perpetual Bonds or the face value of the Perpetual Bonds or in a way to prejudice the rights of the holders of the Perpetual Bonds, shall not be adopted unless the meeting is attended by holders of the Perpetual Bonds who represent two-thirds of the Perpetual Bonds.

Resolutions shall be adopted by two-thirds majority of the Perpetual Bonds represented at the meeting.

The Bank shall send to the Trustee the same invitation as given to the holders of the Perpetual Bonds to attend any meeting of holders of the Perpetual Bonds. The Trustee shall attend such meetings and take part in the discussion. The Trustee shall not vote on the resolutions.

15 RIGHTS OF THIRD PARTIES

No rights are conferred on any third persons to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available.

16 GOVERNING LAW AND DISPUTE RESOLUTION

The Perpetual Bonds and any non-contractual obligations arising out of or in connection with the Perpetual Bonds are governed by, and shall be construed in accordance with, the laws of Oman. The issue of the Perpetual Bonds shall be governed by the Laws of Oman. The courts of Oman shall have exclusive jurisdiction to settle any dispute and the Bank submits to the exclusive jurisdiction of such courts

CHAPTER 5: USE OF PROCEEDS AND ISSUE EXPENSES

Use of Proceeds

The net proceeds from the Issue of Perpetual Bonds will be used by the Bank to increase its Additional Tier 1 Capital for the purpose of increasing its capital adequacy and for its general corporate purposes.

Estimated issue expenses

The issue expenses are estimated at RO 62,000 which is equal to approximately 0.062% of the total gross proceeds of the Issue, assuming full subscription. The issue expenses will be borne by the Issuer.

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

Particulars	**Amount (RO)***
Financial Advisor and Issue Manager Fees	30,000
Legal Advisor's fees	20,000
CMA Fees	2,000
Marketing, Advertising, Printing & Publicity	5,000
Other Expenses	5,000
Total estimated issue expenses	**62,000**

**These are estimates and may change as per actuals.*

CHAPTER 6: 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, cheque 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 cheques.

(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 organisations 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 deem 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 afore-mentioned 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 Shariah;

b) carry on all works of finance and investment in accordance with the provisions of Islamic Shariah 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 utilise 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	26/3/2019
Central Bank Oman	Commercial Banking License Islamic Banking Licence	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:

- Resolution of shareholder’s Extraordinary General Meeting dated 18 December 2018.
- In-principle approval received from CBO, vide its letter no. BSD/2019/BKUP/SIB/005 dated 8 January 2019.
- Approval received from CMA vide its Administrative Decision No. K / 26 / 2019 dated 28 February 2019.

Outstanding bonds

Additional Tier 1 Capital issuance - 2017

Instrument:	Perpetual Additional Tier 1 Capital Securities
Issued & Subscribed:	RO 100 million
Issue date:	25 September 2017
Maturity Date:	Perpetual
Initial interest rate:	7.75% per annum
Interest rate reset:	5 years from issue date

CHAPTER 7: OVERVIEW OF THE OMAN ECONOMY AND BANKING SECTOR

INTRODUCTION

Oman is the second largest country by geographical area among the states of the GCC region, after Saudi Arabia. It is spread over 309,500 square kilometres and has a coastline extending over 3,100 kilometres. Oman is strategically placed at the mouth of the Arabian Gulf. It is divided into eleven main governorates (Muscat, Musandam, Al Buraimi, Al Dakhiliyah, Al Batinah North, Al Batinah South, Al Sharqiyah North, Al Sharqiyah South, Al Dhahirah, Al Wusta and Dhofar). The governorate of Musandam is an exclave of Oman, separated from the rest of Oman by the United Arab Emirates. The governorates are subdivided into a total of 61 provinces or Wilayats. Muscat is the political and business capital. Other prominent cities are Salalah, Sohar, Sur, Nizwa and Khasab. Arabic is the national and official language, but the use of English is widespread, especially in business transactions.

Oman's current economic focus is on long-term planning. It is currently in its ninth five-year economic development plan of strategy, covering the period 2016-2020. Since 1996, the five-year plans have been designed to achieve "Vision 2020" (adopted in June 1995), which is the Government's economic planning strategy outlining Oman's long term target of economic diversification, away from reliance on hydrocarbons, and towards, among other strategies, labour sector development. According to the Oxford Business Group Report, the ninth five-year plan envisages a continued drive towards social development, economic diversification of many production sectors and the ideal utilisation of available natural resources. Also planned are the ongoing implementation of the country's mega and priority infrastructure projects such as the Al Batinah Expressway, airport projects, the railway network, the special economic zone at Duqm, key seaport upgrades and BP's Khazzan project.

RATING

Oman has a credit rating of “BB” (Stable Outlook) by Standard & Poor’s on 10 November 2017, “Baa3” (Negative Outlook) by Moody’s Investor Services on 16 March 2018 and "BB+" (Stable Outlook) by Fitch Ratings on 18 December 2018.

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 hydrocarbon sector over the last few years. The nominal gross domestic product (GDP) grew by 8.7 percent in 2017 as against a contraction of 15.0 percent and 3.0 percent 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 percent and 3.9 percent, respectively. All three non-hydrocarbon groups viz. industry, services, and agriculture & 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 dragger 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 percent in 2017 from 27.1 percent during 2016. The hydrocarbon revenues constituted 72.9 percent of the government revenues in 2017 as against 68.2 percent in 2016. The oil & gas exports also contributed majorly to the merchandise exports with their share edging up to 58.3 percent in 2017 from 57.9 percent in 2016. The value added from crude oil grew by 23.0 percent and contributed about 91 percent to the growth of petroleum activities, while that emanating from natural gas witnessed a growth of 10.5 percent and contributed about 9 percent 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 percent 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 endeavouring to bolster non-oil economic activities to diversify the economy away from hydrocarbon sector. The policy efforts are producing positive results and the non-hydrocarbon sector recorded an accelerated nominal growth of 3.9 percent during 2017 as against 2.6 percent 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 7 were locally incorporated and 9 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 percent with prudential sub-limits on the shareholding pattern. At the end of 2017, twelve 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 sixteen exchange establishments licensed for money exchange and remittance business as well as 36 exclusive money changing firms. The sixteen 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)

CHAPTER 8: 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 31 December 2018, the Bank operates a network of 30 conventional branches, 7 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 provided Shari'a-compliant banking through an Islamic finance window.

Awards and Recognition

The Bank has received a number of awards and recognition within its short operating history. Some of the recent awards are –

Award	Institution
Golden Order of Merit in the field of CSR' Award	Arab Organization for Social Responsibility -2017
Excellence in Corporate Leadership	Aiwa -2017
Best Financial Brand Oman 2014	Global Brands Magazine, UK
Diamond Eye Award for Quality, Commitment & Excellence	Other ways Management & Consulting Association, France
Peak of Success Trophy	Texas-based World Confederation of Businesses
Strategic Award for the Bank's corporate website	Pan Arab Excellence Awards Academy, Lebanon
Strategic Award from Oman Web Awards	Oman Web Awards
Best Mid-Size Bank – Asset Quality Award	Oman Banking & Finance Awards.
Fastest Growing Bank in Oman 2014	International Finance Magazine, UK
Pan Arab Excellence Awards Academy	Web of the Year Award 2016
Top 5 Large Corporate Enterprises in Oman (for third consecutive year)	AIWA Magazine, Oman
Straight Through Processing Award	J.P. Morgan Chase Bank
Best Customer Service (Retail Banking)	CPI Financial, Dubai
Best Cash Management	Global Brands Magazine – UK Based
Best Financial Brand, Oman	Global Brands Magazine from United Kingdom
Best Corporate Card Award	International Finance Magazine
Best Customer Service Brand, Oman	Global Brands Magazine – UK Based
Green Campaign for the year	United Press & Publishing at OER Oman Green Awards
Best Call Center Award	Banker Middle East Product Awards 2015, UAE
Bizz Awards	World Confederation of Businesses
Best Customer Service	Banker Middle East Product Awards 2015, UAE
Road Safety Award	Royal Oman Police - 2018

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.

- **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'a 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 organised into the following seven operating segments based on products and services as follows:

- **Wholesale Banking** includes loans to and deposits from corporates, small & 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'a principles.

Segmental information for financial year 2018 (un-audited)

(in RO '000)

	Retail banking	Wholesale banking	Government institution & PFS*	Investments &FI	Treasury	Head Office	Islamic banking	Total
Income Statement								
Interest income	37,280	58,598	17,520	941	15,984	-	-	130,323
Interest expense	(17,543)	(36,023)	(11,404)	(1,203)	(7,499)	-	-	(73,672)
Net interest income	**19,737**	**22,575**	**6,116**	**(262)**	**8,485**	**-**	**-**	**56,651**
Net income from Islamic financing and investing activities	-	-	-	-	-	-	4,658	4,658
Other operating income	4,909	9,507	2,886	1,976	13,228	-	623	33,129
Total Operating income	**24,646**	**32,082**	**9,002**	**1,714**	**21,713**	**-**	**5,281**	**94,438**
Total Operating expenses	**(20,672)**	**(8,568)**	**(1,776)**	**(1,876)**	**(2,267)**	**(1,100)**	**(3,626)**	**(39,885)**
Net Operating Income	**3,974**	**23,514**	**7,226**	**(162)**	**19,446**	**(1,100)**	**1,655**	**54,553**
Impairment on available for sale investments	-	-	-	(314)	(336)	-	(31)	(681)
Loan impairment charges and other credit risk provisions, net	(2,846)	(13,068)	(1,188)	(922)	(426)	-	(992)	(19,442)
Segment profit / (loss)	**1,128**	**10,446**	**6,038**	**(1,398)**	**18,684**	**(1,100)**	**632**	**34,430**
Income tax expense	(169)	(1,567)	(906)	310	(2,802)	165	(95)	(5,064)
Profit / (loss) for the year	**959**	**8,879**	**5,132**	**(1,088)**	**15,882**	**(935)**	**537**	**29,366**
Balance sheet								
Assets								
Cash and balances with Central Bank	-	-	-	-	63,719	-	8,737	72,456
Due from banks and other money market placements	-	-	8,240	-	103,333	-	9,830	121,403
Loans, advances and financing, net	674,975	1,037,562	359,027	-	-	-	180,366	2,251,930
Investments	-	-	-	20,845	490,980	-	20,944	532,769
Property, equipment and fixtures	-	-	-	-	-	18,550	1,126	19,676
Investment properties	-	-	-	-	-	2,900	-	2,900
Other assets	-	30,252	-	-	1,883	11,936	1,198	45,269
TOTAL ASSETS	**674,975**	**1,067,814**	**367,267**	**20,845**	**659,915**	**33,386**	**222,201**	**3,046,403**
Liabilities								
Due to banks and other money market borrowings	-	-	-	-	709,358	-	12,703	722,061
Customers' deposits	374,609	278,024	817,970	58,414	108,511	-	180,825	1,818,353
Other liabilities	-	30,252	20,000	-	3,702	29,057	1,653	84,664
Subordinated loans	-	-	-	-	-	35,392	-	35,392
Compulsorily convertible bonds	-	-	-	-	-	-	-	-
Certificate of deposits	-	-	-	-	509	-	-	509
TOTAL LIABILITIES	**374,609**	**308,276**	**837,970**	**58,414**	**822,080**	**64,449**	**195,181**	**2,660,979**
TOTAL EQUITY	**-**	**-**	**-**	**-**	**-**	**357,942**	**27,482**	**385,424**
TOTAL LIABILITIES AND EQUITY	**374,609**	**308,276**	**837,970**	**58,414**	**822,080**	**422,391**	**222,663**	**3,046,403**

* Financial Institutions & Project Finance and Syndication

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 customised 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 oilfield service and 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 organisations 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 customised 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 and

- **Project finance and syndication**, which was also established in 2013. 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 and U.S. dollars 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 and

- ***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 and

- 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 cheque 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 and
- 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; and
- **Al Mumayaz auto loan**, which is a rapid car finance solution for new or used cars secured against a salary assignment or post-dated cheques.

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 programme provides points for spending using the Bank's platinum or infinite credit cards.

Privilege banking

Privilege banking (Al Khaas) customers benefit from a dedicated account relationship manager, who introduces them to a growing portfolio of exclusive services and cards and attends to all their banking needs. Al Khaas customers benefit from an 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 personalised current account cheque 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 and
- 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

Investments

The investment banking department manages the Oman Development Fund, which provides seed capital and support to mid-sized, green-field projects so as to encourage the manufacturing sector and diversify Oman's economy. The department also sources funds and other specialised investment vehicle solutions for high networth investors and designs investment products to address the needs of its investment clients.

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 facilitate 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 and
- Treasury and foreign exchange related services, including an income-generating portfolio of syndicated loan assets which it makes available to foreign banks.

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 organisations 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 cheques 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'a-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'a-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'a-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 31 December 2018, the Bank had a network of 30 branches for conventional banking and 7 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 centre*: the Bank's call centre 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 31 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; and

- *Mobile banking*: any Bank customer can register his mobile telephone number to receive SMS text message alerts for transactions without charge.

Capital Adequacy as on 31 December 2018 (un-audited)

(in RO '000)

Particulars	Amount
CET 1 capital	
Ordinary share capital	198,265
Share premium	18,037
Legal reserve	24,375
General reserve	988
Subordinated loan reserve	7,000
Retained earnings *	26,987
Fair value losses	(2,133)
Total CET 1 capital	**273,519**
Additional Tier 1 capital	
Perpetual Tier 1 Capital Securities	100,000
Total Tier 1 capital	**373,519**
Tier 2 capital	
Impairment allowance on portfolio basis	25,062
Fair value gains	4
Subordinated loan	28,000
Total Tier 2 capital	**53,066**
Total regulatory capital	**426,585**
Risk weighted assets	
Credit and market risks	2,679,306
Operational risk	157,920
Total risk weighted assets	**2,837,226**
Capital adequacy ratio	
Total regulatory capital expressed as a percentage of total risk weighted assets	15.04%
Total tier I capital expressed as a percentage of total risk weighted assets	13.16%
Total CET 1 capital expressed as a percentage of total risk weighted assets	9.64%

Sources of Financing and Debt Equity Ratio

(in RO '000)

	as on 31 December 2018*	
	Post-issue	**Pre-issue**
Debt		
Due to banks and other money market borrowings	722,061	722,061
Customers' deposits	1,818,353	1,818,353
Other liabilities	84,664	84,664
Subordinated loans	35,392	35,392
Certificates of deposits	509	509
Total Debt	**2,660,979**	**2,660,979**
Shareholders' Equity		
Share capital	198,265	198,265
Share premium	18,037	18,037
Legal reserve	24,375	24,375
General reserve	988	988
Fair value reserve	(2,124)	(2,124)
Subordinated loans reserve	7,000	7,000
Retained earnings	38,883	38,883
Total Shareholders' Equity	**285,424**	**285,424**
Perpetual Tier 1 Capital Securities	200,000	100,000
Total Equity	**485,424**	**385,424**
Total financing sources	**3,146,403**	**3,046,403**
Total Debt/Total Equity ratio	5.48	6.90

**Un-audited*

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 25 September 2004.

As on 31 December 2018, the Bank has a provision of approximately RO 77 million for non-performing assets which is about 3.4% of total net loans & advances.

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 9: FINANCIAL REVIEW

The following information has been extracted from the audited / 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)

	2018*	2017	2016	2015
Assets				
Cash and balances with Central Bank	72	182	120	122
Due from banks and other money market placements	121	104	99	128
Loans, advances and financing (net)	2,252	2,099	1,913	1,647
Investment securities	533	414	351	277
Property, equipment and fixtures	20	17	16	14
Investment properties	3	3	3	3
Other assets	45	24	18	16
Total assets	**3,046**	**2843**	**2,520**	**2,207**
Liabilities				
Due to banks and other money market borrowings	722	719	575	382
Customers' deposits	1,818	1,643	1,532	1,464
Other liabilities	85	31	29	32
Subordinated loans	35	35	87	51
Compulsory convertible bonds	-	2	5	7
Certificates of deposit	1	19	18	18
Total liabilities	**2,661**	**2449**	**2,246**	**1,954**
Shareholders' equity				
Share capital	198	178	160	144
Share premium	18	18	17	17
Legal reserve	24	21	19	17
General reserve	1	1	1	1
Special Reserve	-	3	-	-
Fair value reserve	(2)	(1)	(1)	(7)
Subordinated loans reserve	7	-	50	40
Retained earnings	39	73	27	41
Total shareholders' equity	**285**	**294**	**274**	**253**
Perpetual Tier 1 Capital Securities	100	100	-	-
Total liabilities and shareholders' equity	**3,046**	**2843**	**2,520**	**2,207**

**un-audited*

Statement of Comprehensive Income

(RO million)

	2018*	2017	2016	2015
Interest income	130	109	91	75
Interest expense	(74)	(62)	(46)	(25)
Net interest income	**57**	**48**	**45**	**50**
Net income from Islamic financing and investing activities	5	4	3	2
Other operating income	33	25	22	19
(Loss) / gain from available-for-sale investment securities	-	-	(4)	1
Total operating income	**94**	**76**	**67**	**71**
Staff costs	(24)	(21)	(20)	(20)
Other operating expenses	(14)	(12)	(11)	(11)
Depreciation	(2)	(2)	(2)	(2)
Total operating expenses	**(40)**	**(35)**	**(33)**	**(33)**
Net Operating Income	**55**	**42**	**34**	**38**
Loan impairment charges and other credit risk provisions (net)	(20)			
Impairment on investment securities	-	(2)	(3)	(3)
Impairment allowance on portfolio basis	-	(2)	(3)	(2)
Impairment allowance of specific basis	-	(8)	(6)	(1)
Net profit before tax	**34**	**30**	**22**	**32**
Income tax expense	(5)	(5)	(3)	(4)
Net profit for the period	**29**	**25**	**19**	**28**

**un-audited*

Statement of Cash Flows

(RO million)

	2018*	2017	2016	2015
Net cash (used in)/from operating activities	399	(124)	(185)	(135)
Net cash (used in)/from investing activities	(51)	(19)	16	(74)
Net cash (used in)/from financing activities	(17)	36	23	32
Cash and cash equivalents at beginning of period	14	120	266	444
Cash and cash equivalents at end of period	344	14	120	266

**un-audited*

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 (Unaudited)

(RO'000)

	Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Subordinated loans reserve	Retained earnings	Total Shareholders' Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1 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 31 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 31 DECEMBER 2017

(RO'000)

	Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Subordinated loans reserve	Retained earnings	Total Shareholders' equity	Perpetual Tier 1 Capital Securities	Total equity
Balance as at 1 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	**-**	**-**	**-**	**-**	**-**	**116**	**-**	**-**	**116**	**-**	**116**
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 31 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 31 DECEMBER 2016

(RO'000)

	Share capital	Share premium	Legal Reserve	General reserve	Special reserve	Fair value reserve	Subordinated loans reserve	Retained earnings	Total Shareholders' equity	Perpetual Tier 1 Capital Securities	Total equity
Balance as at 1 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 31 December 2016	**160,450**	**17,193**	**18,905**	**988**	**-**	**(772)**	**50,000**	**27,122**	**273,886**	**-**	**273,886**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(RO'000)

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve	Subordinated loans reserve	Retained earnings	Total
Balance as at 1 January 2015	**114,400**	**-**	**13,815**	**988**	**(5,138)**	**24,167**	**43,844**	**192,076**
Total comprehensive income for the year								
Net profit for the year	**-**			**-**	**-**	**-**	**27,746**	**27,746**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impairment of available-for-sale investments – net of tax	-	-	-	-	2,975	-	-	2,975
Net change in fair value of available for sale investments – net of tax	-	-	-	-	(5,024)	-	-	(5,024)
Reclassified to profit or loss on sale of available for sale investments	-	-	-	-	(21)	-	-	(21)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(2,070)**	**-**	**27,746**	**25,676**
Transfers	-	-	2,775	-	-	15,833	(18,608)	-
Issue of stock dividend for the year 2014 (note B14)	6,864	-	-	-	-	-	(6,864)	-
Dividend paid for the year 2014	-	-	-	-	-	-	(4,576)	(4,576)
Issue of rights share (note B14)	22,880	-	-	-	-	-	-	22,880

Share premium received (note B14)	-	16,702	-	-	-	-	-	16,702
Rights issue expenses (net) (note B15)	-	-	404	-	-	-	-	404
Balance as at 31 December 2015	**144,144**	**16,702**	**16,994**	**988**	**(7,208)**	**40,000**	**41,542**	**253,162**

CHAPTER 10: RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank enters into transactions with certain of its directors, shareholders, senior management, Shari'a supervisory board, Shari'a 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)

	2018*	2017	2016
Key management personnel			
Loans, advances and financing at the end of year	2,330	2,659	3,502
Loans disbursed during the year	165	590	472
Loans repaid during the year	(304)	(655)	(765)
Deposits at the end of the year	985	725	610
Deposits received during the year	410	1,348	333
Deposits paid during the year	(134)	(1,200)	(786)
Interest income during the year	99	133	154
Other related parties			
Loans, advances and financing at the end of year	84,058	6,158	4,967
Loans disbursed during the year	87,554	16,956	30,987
Loans repaid during the year	(4,462)	(14,212)	(42,408)
Deposits at the end of the year	7,963	10,165	12,631
Deposits received during the year	8,207	11,242	19,323
Deposits paid during the year	(3,621)	(13,562)	(13,089)
Interest income during the year	2,405	374	322
Interest expense during the year	48	556	339
Key management personnels' compensation			
Salaries and other short term benefits	4,147	2,977	3,192
Post-employment benefits	213	96	162
Directors' sitting fees and remuneration	184	199	202
Shari'a Supervisory Board members	50	44	43

*un-audited

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)

	2018*	2017	2016
Loans, advances and financing at the end of year	4,000	-	7,002
Loans disbursed during the year	4,000	5,580	87,393
Loans repaid during the year	-	(23,765)	(79,205)
Deposits at the end of the year	2,395	1,262	5,595
Deposits received during the year	2,009	18	1,477
Deposits paid during the year	(875)	(4,352)	-
Interest income during the year	42	62	326
Interest expense during the year	12	14	-

*un-audited

As at 31 December 2018, no loans to related parties are impaired (31 December 2017: Nil; 31 December 2016: nil).

CHAPTER 11: RISK FACTORS AND MITIGANTS

The Bank believes that the following factors may affect its ability to fulfil its obligations in respect of the Perpetual Bonds. Most of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring. The order in which the risks are presented below does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Bank. In addition, factors which are material for the purpose of assessing the market risks associated with the Perpetual Bonds are also described below.

The Bank believes that the factors described below represent the principal risks inherent in investing in the Perpetual Bonds, but the inability of the Bank to pay interest, principal or other amounts on or in connection with any Perpetual Bonds may occur for other reasons which may not be considered significant risks by the Bank based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

The occurrence of any of the risks described below, or any other risks not currently known to the Bank, could have a material adverse effect on the Bank's financial condition, results of operations, liquidity and future prospects and could affect its ability to make payments under the Perpetual Bonds and/or the market price of the Perpetual Bonds. It should be also noted that the Bank intends to undertake steps and/or necessary measures 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 political and economic nature.

Prospective investors should also consult their own financial and legal advisers about risks associated with an investment in the Perpetual Bonds and the suitability of investing in the Perpetual Bonds in light of their particular circumstances, without relying on the Bank. Prospective investors are advised to make, and will be deemed by the Bank to have made, their own investigations in relation to such factors before making any investment decision.

1 FACTORS THAT MAY AFFECT THE BANK'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE PERPETUAL BONDS

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 focussed 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 U.S. $100 in each of 2011, 2012 and 2013. However, in 2014, the annual average price was U.S. $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 U.S. $42.97 and the average near month WTI Crude Oil futures price for July 2017 was U.S. $ 47.62. The average near month WTI Crude Oil Futures contract price for January to December 2018 was U.S. $62.54 and the average near month WTI Crude Oil futures price for December 2018 was U.S. $ 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.

<u>Mitigant:</u> 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 analyses 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 31 December 2018 amounted to 23.46% of its total customer loan, advances and financing and the Bank's top 10 customer loan exposures at 31 December 2018 amounted to 14.29% 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 31 December 2018, the Bank had provided expected credit losses allowances amounting to RO 17.3 million and carried total impairment allowances of RO 88.730 million on its loans and advances compared to total impairment allowances of RO 49.483 million at 31 December 2017. 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 31 December 2018 were 3.29 % (2017 non-performing loans were 2.32 %) of the gross loans. The Bank continuously reviews and analyses 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

At 31 December 2017 the Bank's personal loans amounted to RO 667 million, or 31.1% of its total loans, advances and financing. The ability of its customers, particularly those employed in the private sector in Oman, to repay these loans will remain strongly linked to economic conditions in Oman, with increases in unemployment levels and interest rates among the main factors that will adversely impact the Bank's retail credit

As a result, any deterioration in general economic conditions in Oman or the Middle East generally or any failure by the Bank to manage effectively its geographic risk concentrations could lead to a deterioration in the credit quality of counterparties of the Bank. See Risk Factor 1.1 above.

The Bank's customer deposits constituted 68.35% of its total liabilities at 31 December 2018 and 67.83% of its customer deposits at 31 December 2017 had been accepted from Omani counterparties. At 31 December 2018, the Bank's top 20 customer deposits constituted 53.60% of its total customer deposits and its top 10 customer deposits constituted 43.74% of its total deposits. A substantial portion of the Bank's funding requirements are met through short term and long term deposits by government-related entities. At 31 December 2018, government-related entities and pension funds accounted for approximately 40.06% of the Bank's customers' 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 arrear) were RO 76.986 million at 31 December 2018 compared to RO 49.803 million at 31 December 2017 and RO 33.08 million at 31 December 2016. The Bank's NPL ratio (defined as the ratio of NPLs to total gross customer loans, advances and financing) amounted to 3.3% at 31 December 2018 compared to 2.3% at 31 December 2017 and 1.7% at 31 December 2016.

The Bank's past due (less than 90 days) but not impaired loans amounted to RO 209.877 at 31 December 2018 compared to RO 165.260 million at 31 December 2017 and RO 70.591 million at 31 December 2016 and, as a percentage of total gross customer loans, advances and financing, amounted to 8.97%, 7.69% and 3.61% respectively. The increase in 2018 principally reflected delays faced by contractors on government projects in receiving payment following a change in the process for payment of bills on government projects Bank's renegotiated loans amounted to RO 72.726 million at 31 December 2018 compared to RO 62.655 million at 31 December 2017 and RO 3.773 million at 31 December 2016.

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 realise 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

The Bank's total customer loans, advances and financing at 31 December 2018 was RO 2,341 million, of which loans secured by mortgages over real estate amounted to 55.35%, or RO 1.295 million. Negative economic and other factors could lead to a contraction in the residential mortgage and commercial lending markets and to decreases in residential and commercial property prices. This would adversely affect the value of the Bank's collateral and could lead to increased impairment charges which would reduce the Bank's profitability.

Mitigant: At 31 December 2018 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 55.08 % (115.25 % 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 31 December 2018, the Bank had RO 485 million in such contingent liabilities outstanding, equal to 17.17% 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 1 year borrowing and syndicated funding for 3 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 materialise, 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 31 December 2018, approximately 20.59% of the Bank's total deposits (including amounts due to banks and other money market placements) had remaining maturities of three month or less or was payable on demand and approximately 53.35% 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.

<u>Mitigant:</u> 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 licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licences, permits, approvals and consents are often lengthy, complex, unpredictable and costly. If the Bank is unable to maintain or obtain the relevant licences, 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 negative outlook from Fitch and BBB- with a stable outlook from Capital Intelligence, Ba1 with negative outlook from Moodys These 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 November 8th 2018, 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 Perpetual Bonds.

In addition, the credit rating assigned to the Bank may not reflect the potential impact of all risks related to an investment in the Perpetual Bonds, the market or any additional factors discussed in this document, and other factors may affect the value of the Perpetual Bonds. 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 organisation and each rating should be evaluated independently of any other rating.

Mitigant: The last downgrade was on November 8th 2018 by Fitch, 17th April 2018 by Capital intelligence and 4th of October 2018 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 an established track record of fast growth and quickly establishing itself as a significant player in a short time as it 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 realises gains and losses on the sale of securities and records unrealised 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 centres, 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 operation 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 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 authorisations, 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 December 2018, 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 13.16% and 15.04%, compared to the CBO's requirements of a minimum Tier 1 Capital Adequacy Ratio of 10.875% and a minimum Total Capital Adequacy Ratio of 12.875%.

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 capitalisation 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 12.875%.

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 favourable 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.

<u>Mitigant:</u> 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.

<u>Mitigant:</u> 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 a 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 the Perpetual Bonds to 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, recognising 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.

1.21 The interests of the Bank's shareholders may, in certain circumstances, conflict with those of the holders of the Perpetual Bonds

Investors should be aware that the interests of the Bank's shareholders may, in certain circumstances, be different from those of the Bank's creditors (including the holders of the Perpetual Bonds) and, in those circumstances, the holders of the Perpetual Bonds could be disadvantaged.

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 rights of holders of the Perpetual Bonds or 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.

2.3 Regulation of interest rates under Omani law

The CBO and the MOCI each have the power to regulate interest rates in Oman. Ministerial Decision 238/2018 (Setting the interest rate in exchange of procurement of loan or commercial debt), which is issued pursuant to Article 80 of the Oman Commercial Law (Royal Decree 55/99, as amended) (the Ministerial Decision), specifies that "The interest rate in exchange of procurement of loan or commercial debt is hereby fixed at 6.5%". The Ministerial Decision does not apply to transactions conducted by commercial banks regulated by the CBO. Interest rates (other than those for consumer loans) are currently unregulated under the CBO regulatory regime. It is not clear however, whether the issuance of the Perpetual Bonds by the Bank would constitute a transaction conducted by commercial banking regulated by the CBO, and as such whether it would fall to be regulated by Ministerial Decision 238/2018 of the MOCI referred to above.

In addition to the regulations of the MOCI and the CBO, Omani courts will not enforce interest claims in excess of what the courts of Oman consider just and reasonable. Accordingly, no assurance can be given as regards the enforceability of interest in excess of such amounts to the extent that the matter fell to be considered by Omani courts.

3 RISKS RELATING TO THE PERPETUAL BONDS

3.1 The Perpetual Bonds are subordinated and unsecured obligations of the Bank

Prospective investors should note that the Obligations of the Bank under the Perpetual Bonds are subordinated to the Senior Obligations, rank *pari passu* with the *Pari Passu* Obligations and rank in priority only to all Junior Obligations. Accordingly, the Obligations rank junior to all unsubordinated payment obligations of the Bank (including depositors of the Bank in respect of their due claims) and all subordinated payment obligations of the Bank to which the Obligations rank or are expressed to rank junior, and *pari passu* with all subordinated payment obligations of the Bank which rank or are expressed to rank *pari passu* with the Obligations.

Further, the Obligations (which include obligations relating to the repayment of principal amounts and/or the payment of interest amounts) are neither secured nor guaranteed by any entity and are not subject to any other arrangement that legally or economically enhances the seniority of the claims of holders of the Perpetual Bonds vis-à-vis depositors, general creditors and holders of other subordinated debt or Sukuk of the Bank, to which such payment obligations rank, or are expressed to rank, junior.

A holder of the Perpetual Bonds may exercise its enforcement rights in relation to the Perpetual Bonds only in the manner provided in Condition 9 (*Events of Default*). If the Bank were wound up, liquidated or dissolved, the Bank's liquidator would apply the assets of the Bank to satisfy all claims of creditors in respect of Senior Obligations in priority to the claims of the holders of the Perpetual Bonds and *pari passu* with creditors whose claims are in respect of *Pari Passu* Obligations. In such case, there may not be sufficient assets to satisfy the claims of the holders of the Perpetual Bonds in full.

3.2 No limitation on issuing senior securities; subordination

Subject to Condition 13 (Further Issues) which requires that further Tier 1 Capital of the Bank that would rank senior to the Perpetual Bonds can only be issued with the consent of the holders of the Perpetual Bonds, there is no restriction on the Bank incurring additional indebtedness or on issuing securities or creating any guarantee or contractual support arrangement which would rank *pari passu* with, or senior to, the Perpetual Bonds. The issue or creation of any such Senior Obligations may reduce the amount recoverable by holders of the Perpetual Bonds on a winding-up of the Bank. Accordingly, in the winding-up of the Bank and after payment of the claims of creditors in respect of Senior Obligations, there may not be a sufficient amount to satisfy the amounts owing to the holders of the Perpetual Bonds. See also Risk Factor 3.1.

3.3 Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are noncumulative

No Interest Payment Amounts are payable if either a Non-Payment Event (as defined below) or a Non-Payment Election occurs.

Pursuant to Condition 5.2 (*Non-Payment Election*), in the event of a Non-Payment Election, the Bank may not make payment of an Interest Payment Amount to holders of the Perpetual Bonds on the corresponding Interest Payment Date.

In each of the following events (each, a "Non-Payment Event"), Interest Payment Amounts shall not be paid on any Interest Payment Date:

a) the Interest Payment Amounts payable, when aggregated with any distributions or amounts payable by the Bank on any *Pari Passu* Obligations, having the same dates in respect of payment of such distributions or amounts as, or otherwise due and payable on, the dates for payment of Interest Payment Amounts, exceed, on the relevant date for payment of such Interest Payment Amounts, the Bank's Distributable Items;

b) the Bank is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of capital buffers imposed on the Bank by the Regulator) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof; or

c) the Regulator requires that Interest Payment Amount due on that Interest Payment Date shall not be paid.

In the event of a Non-Payment Event or a Non-Payment Election, certain restrictions on declaration of dividends and payment of certain amounts otherwise payable under, or redemption of, certain securities by the Bank will take effect in accordance with Condition 5.4 (*Dividend and Redemption Restrictions*). However, the holders of the Perpetual Bonds shall have no claim in respect of any Interest Payment Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event and the consequential non-payment of any Interest Payment Amount in such a circumstance shall not constitute an Event of Default. The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid amount.

In such case, the holders of the Perpetual Bonds will not receive Interest Payment Amounts on their investment in the Perpetual Bonds and shall not have any claim in respect thereof.

3.4 Perpetual Securities

The Perpetual Bonds are perpetual securities which have no fixed or final redemption date. Holders of the Perpetual Bonds have no ability to require the Bank to redeem their Perpetual Bonds unless an Event of Default occurs. The Bank has the option to redeem the Perpetual Bonds in certain circumstances as more particularly described in Condition7 (*Redemption and Variation*), although there is no assurance that it will do so.

This means that the holders of the Perpetual Bonds have no ability to cash in their investment, except:

a) if the Bank exercises its rights to redeem the Perpetual Bonds in accordance with Condition 7 (*Redemption and Variation*);

b) upon the occurrence of an Event of Default (subject to Condition 3.2 (*Subordination of the Perpetual Bonds*)); or

c) by selling their Perpetual Bonds.

There can be no assurance that holders of the Perpetual Bonds will be able to reinvest the amount received upon redemption or sale at a rate that will provide the same rate of return as their investment in the Perpetual Bonds. See also Risk Factor 3.11 for a description of the risks relating to the ability of holders of the Perpetual Bonds to sell the Perpetual Bonds in the secondary market.

3.5 The rights of the holders of the Perpetual Bonds to receive repayment of the principal amount of the Perpetual Bonds and the rights of the holders of the Perpetual Bonds for any further interest may be written-down permanently upon the occurrence of a Non-Viability Event

If a Non-Viability Event occurs at any time, the Perpetual Bonds will be cancelled (in the case of a Write-down in whole) or written-down in part on a *pro rata* basis (in the case of a Write-down in part) and all rights of any holder of Perpetual Bonds for payment of any amounts under or in respect of the Perpetual Bonds (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) shall, as the case may be, be cancelled or written-down *pro rata* among the holders of the Perpetual Bonds and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event or notice in relation thereto and even if the Non-Viability Event has ceased. Further, whilst it is intended that the Shares of the Bank should absorb losses prior to the Perpetual Bonds, a Write-down in full or in part of the Perpetual Bonds could occur prior to the Shares of the Bank absorbing losses in full or at all. A Write-down shall not constitute an Event of Default. As a result, holders of the Perpetual Bonds may lose the entire amount or, as the case may be, a material amount of their investment in the Perpetual Bonds. Investors should also be aware that the application of a non-viability loss absorption feature similar to Condition 8 (*Write-down at the Point of Non-Viability*) has not been tested in Oman and therefore some degree of uncertainty may exist in its application.

3.6 The circumstances triggering a Write-down are unpredictable

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside the Bank's control.

The occurrence of a Non-Viability Event is subject to, inter alia, a subjective determination by the Regulator in circumstances that may be beyond the control of the Bank and with which the Bank or the holders of the Perpetual Bonds may not agree.

3.7 Variation upon the occurrence of a Capital Event or a Tax Event

Upon the occurrence and continuation of a Capital Event or a Tax Event, the Bank may, subject as provided in Condition 7.1(c) (*Redemption or Variation due to Taxation*) or 7.1(d) (*Redemption or Variation for Capital Event*) (as the case may be) and without the need for any consent or approval of the holders of the Perpetual Bonds, either redeem or vary the terms of the Perpetual Bonds such that they become or remain (as appropriate) Qualifying Tier 1 Instruments.

A Capital Event will arise if the Bank is notified by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Perpetual Bonds are held by the Bank or whose purchase is funded by the Bank) of the Perpetual Bonds will cease or has ceased to qualify, in full or in part, for inclusion in the consolidated Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital).

A Tax Event will arise if the Bank would become required to pay additional amounts, whether or not a Non-Payment Event has occurred, as a result of any change in, or amendment to or interpretation of, the laws, published practice or regulations of Oman, or any change in the application or interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date (and such requirement cannot be avoided by the Bank taking reasonable measures available to it).

The tax and stamp duty consequences of holding the Perpetual Bonds following variation as contemplated in Condition 7.1(*Redemption and Variation*) could be different for certain holders of the Perpetual Bonds from the tax and stamp duty consequences for them of holding the Perpetual Bonds prior to such variation and the Bank shall not be responsible to any holder of the Perpetual Bonds for any such consequences in connection therewith. Further, while the Conditions stipulate that the variation (as contemplated by the Conditions) must not be materially less favourable to the holders of the Perpetual Bonds (as reasonably determined by the Bank), no assurance can be given as to whether any of these changes will negatively affect any particular holder of the Perpetual Bonds.

3.8 The Perpetual Bonds may be subject to early redemption; redemptions are conditional

Upon the occurrence of a Tax Event or a Capital Event, the Bank may, at any time, having given not less than 30 nor more than 60 days' prior notice to the holders of the Perpetual Bonds in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable) redeem in accordance with the Conditions, all, but not some only, of the Perpetual Bonds together with any Outstanding Payments (as more particularly described in Condition 7.1(c) (*Redemption or Variation due to Taxation*) in relation to a Tax Event, and Condition 7.1(d)7.1(d) (*Redemption or Variation for Capital Event*) in relation to a Capital Event).

Any redemption of the Perpetual Bonds is subject to the requirements in Condition 7.1(a)(*No Fixed Redemption Date and Conditions for Redemption and Variation*), including obtaining the prior written consent of the Regulator. There can be no guarantee that the consent of the Regulator will be received on time or at all.

There is no assurance that the holders of the Perpetual Bonds will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Perpetual Bonds. During any period when the Bank may redeem the Perpetual Bonds, the market value of the Perpetual Bonds generally will not rise substantially above the Tax Redemption Amount or the Capital Event Amount payable, as the case may be. Potential investors should consider the re-investment risk in light of other investments available at that time.

3.9 Modification

The Conditions contain provisions for calling meetings of holders of the Perpetual Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Perpetual Bonds including holders of the Perpetual Bonds who did not attend and vote at the relevant meeting and holders of the Perpetual Bonds who voted in a manner contrary to the majority.

The Conditions also provide that the Bank may, without the consent or approval of the holders of the Perpetual Bonds, vary the Conditions so that they remain or, as appropriate, become, Qualifying Tier 1 Instruments, as provided in Condition 7.1(c)(*Redemption or Variation due to Taxation*) and Condition 7.1(d) (*Redemption or Variation for Capital Event*). See Risk Factor 3.7 above.

3.10 Resettable fixed rate instruments have a market risk

A holder of an instrument with a fixed interest rate that will be reset during the term of the instrument (as will be the case for the Perpetual Bonds with effect from each Reset Date if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating interest rates and uncertain interest income. While the Interest Rate on the Perpetual Bonds is fixed until the Reset Date (with a reset of the initial interest rate on the Reset Date as set out in the Conditions and every five years thereafter), the current investment return rate in the capital markets (the market return rate) typically changes on a daily basis. As the market return rate changes, the market value of the Perpetual Bonds may also change, but in the opposite direction. If the market return rate increases, the market value of the Perpetual Bonds would typically decrease. If the market return rate falls, the market value of the Perpetual Bonds would typically increase. Holders of the Perpetual Bonds should be aware that movements in these market return rates can adversely affect the market value of the Perpetual Bonds and can lead to losses for the holders of the Perpetual Bonds if they sell the Perpetual Bonds.

3.11 Factors related to market risks generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk and credit risk:

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Perpetual Bonds will develop or, if it does develop, that it will provide the holders of the Perpetual Bonds with sufficient liquidity of investment or that it will continue for the life of the Perpetual Bonds. The Perpetual Bonds generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities as they are perpetual securities (see Risk Factor 3.4 above), are subordinated (see Risk Factor 3.1 above) and payments of Interest Payment Amounts may be cancelled in certain circumstances (see Risk Factor 3.3 above).

Illiquidity may have an adverse effect on the market value of the Perpetual Bonds. Accordingly, a holder of the Perpetual Bonds may not be able to find a buyer to buy its Perpetual Bonds readily or at prices that will enable the holder of the Perpetual Bonds to realise a desired yield. The market value of the Perpetual Bonds may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Perpetual Bonds. Accordingly, the purchase of Perpetual Bonds is suitable only for investors who can bear the risks associated with a lack of liquidity in the Perpetual Bonds and the financial and other risks associated with an investment in the Perpetual Bonds.

Emerging markets

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Taxation risks on payments

Payments made by the Bank in respect of the Perpetual Bonds could become subject to taxation. Condition 10 (*Taxation*) requires the Bank to make payments in respect of the Perpetual Bonds subject to any withholding or deduction imposed by Oman in respect of such payments. In such circumstances, payments under the Perpetual Bonds received by the holders of the Perpetual Bonds will not include such amount of withholding or deduction.

CHAPTER 12: CORPORATE GOVERNANCE

Shareholders

The table below shows the Bank's 10 largest shareholders.

As on 31 December 2018		
Shareholder Name	**No 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 and
- 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 CEO 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:

A. 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

B. 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

C. 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

D. 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

E. 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

F. To reviewing the Bank's performance to evaluate whether the business is being properly managed

G. To nominate the members of the subcommittees and specify their roles, responsibilities and power

H. To provide accurate information to the Shareholders on the dates specified by CMA in the disclosure rules and guidelines

I. 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

J. 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 organisational 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 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 29 March 2018.Details of the current Board members are as follows:

Name of Director	Capacity	Category	Represents
Mohammed Mahfoudh Al Ardhi Chairman	Non-Executive	Independent	
Abdullah Salim Al Harthi Deputy Chairman	Non-Executive	Independent	
Salim Mohammed Al Mashaikhy	Non-Executive	Independent	
Said Ahmed Safrar	Non-Executive	Independent	
Tariq Al Mugheri	Non-Executive	Independent	
Bipin Dharamsey	Non-Executive	Independent	
Ahmed Al Subhi	Non-Executive	Non - Independent	Oman Investment & Finance Company SAOG

Brief profile of directors

Mohammed Mahfoudh Al Ardhi

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.

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.

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.

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, Al Harthy is also responsible for overseeing strategic planning, and information technology departments. With over 17 years of career with SGRF, 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 which aimed at setting up investment platforms including joint ventures in Vietnam and Brunei. 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.

Al Harthy holds a Master of Business Administration (MBA) from IMD Business School, Switzerland and a Bachelor 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.

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

Salim Mohammed Al Mashaikhy

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.

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

Said Ahmed Safrar

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

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

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

Engr. Ahmed Hamed Al Subhi

Engr. Ahmed Hamed Al Subhi holds an MBA and Honours 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. Ahmed 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.

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

Mr. Tareq Al Mugheiry

Tareq Al Mugheiry is the Chief Investment Officer of Oman Investment Corporation SAOC (OIC). Prior to joining OIC, Tareq 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. Tareq serves on the boards of Innovation Development Oman, Takaful Oman Insurance, Sembcorp Salalah O&M Company and TMK GIPI.

In 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.

In 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 sub-committees 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 sub-committees of the Board together with the Internal Audit and Compliance department form an important tool in the process of corporate governance. These sub-committees were re-structured with effect from April 27, 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 auditors / external auditors on significant finding and the control environment.

<u>Members</u> -

Abdullah Salim Al Harthi

Ahmed Hamed Al Subhi

Salim Mohammed 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 continue 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 -

Mohammed Mahfoudh Al Ardhi

Said Al Safrar

Tareq Mohamed Al Mugheiry

Abdullah Salim Al Harthi

Credit Approval Committee

The Credit Approvals 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 -

Said Al Safrar

Tareq Mohamed Al Mugheiry

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 optimises 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 -

Ahmed Hamed Al Subhi

Abdullah Salim Al Harthi

Salim Mohammed 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, 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 honourable 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 intuitions. 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 intuitions 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 centres.

Sheikh Azzan bin Nasir Farfoor Al Amri

Holding Bachelor’s degree in Islamic Studies and with a specialisation 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

Fahad 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, Fahad joined 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, Fahad 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**	Mr. Ahmed Al Musalmi's distinguished career spans more than two decades and has included senior leadership roles at several organisations. His extensive banking experience covers Retail Banking and Wealth Management, Corporate Banking, SME, Trade Finance, Capital Markets, IT, HR and Strategy & Business Planning. 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. Mr. Ahmed Al Musalmi completed the Harvard Business School Advanced Management Programme 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 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 programme 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. Khalil 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.
Salim Khamis Al Maskry **DGM & Head, Sohar Islamic**	Salim Joined the Bank in 2007 as AGM- Head of Branches. He has 29 years of experience in Branch Banking. Salim 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, Salim 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. Mujahid 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. Mujahid 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, U.S.A. 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**	Khalid Khalfan Rashid Al Subhi is AGM & Head of Compliance. Before joining the service of Sohar International Bank, Mr. Khalid Al Subhi associated with Central Bank of Oman for 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 holds a Bachelor in Banking and Financial Sciences from Arab Academy for Banking and Financial Sciences.
Mr. Kamran Haider **Sr. AGM & Head – Internal Audit**	Mr. Kamran 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. Kamran has previously worked at Big4 audit firms, such as KPMG in Saudi Arabia & Pakistan and PwC Ireland. Kamran gained extensive experience of financial accounting, financial

	reporting, internal controls framework, Sarbanes-Oxley, internal audit, external audit, IFRS and group consolidation during his career.
Mr. Karim Fayek Mohamed **Sr. AGM & Head – Risk Management**	Mr. Karim 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. He has worked in the entire spectrum of Commercial, SMEs, Retail and Investment Banking including Shariah-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. His last held position was at Union National Bank (UNB) as a Senior Vice President - Head of Risk management Division. Mr. Karim had done an MBA in Financial Management from the Arab Academy for Banking and Financial Sciences, and current finalization for the Doctorate Degree in Banking and Financial Systems Stability with ESLSCA Business School, Paris, France.
Abdulali Abdullah Al Lawati **Sr. AGM & Acting Head, HR & Corporate Support**	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. 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. Considering his involvement in many aspects of business and his commitment and dedication, 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.

Mr. Craig Barrington Bell **Chief Financial Officer**	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.

Employees

The Bank's human resources policies are designed to attract, retain and motivate high-calibre, 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 at 31 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 31 December 2018 was 93.41% and it is currently in compliance with all other applicable employment regulations.

CHAPTER 13: 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 –

Year	Cash dividend	Stock dividend
2014	4%	6%
2015	5%	10%
2016	5%	10%
2017	5%	10%

CHAPTER 14: RIGHTS AND LIABILITIES OF TRUSTEE AND HOLDERS OF PERPETUAL BONDS

The following describe the responsibilities and rights of Trustee and rights of holders of Perpetual Bonds. Please note that these rights, responsibilities etc. are subject to the terms and conditions given in Chapter 4 of this Prospectus. In case of any variations between the provisions contained in Chapter 4 and this Chapter, the provisions of Chapter 4 shall prevail.

RESPONSIBILITIES OF TRUSTEE

The following are the main responsibilities of Trustee -

- Monitor material contracts, events, actions & announcements (including publication of annual financial statements) entered into or announced by the Issuer, from time to time. The Issuer shall inform the Trustee of any material transaction or contract that could be judged to affect the rights of holders of Perpetual Bonds.

- Periodically confirm the compliance by the Issuer with its obligations to make interest payments.

- Generally oversee that the terms and conditions of the Perpetual Bonds, and of the trust deed, are adhered to by the Issuer.

- Act upon any reasonable request of holders of Perpetual Bonds, the auditors of the Issuer, the MOCI, CBO, MSM, CMA, or the Issuer itself, who may alert MCDC to a situation which may constitute an event or breach which has, or potentially may have a material effect on the rights of the holders of Perpetual Bonds.

- Act as intermediary in resolving any material dispute arising between the Issuer and any individual holder of a Perpetual Bond, or collective number of holders of Perpetual Bonds, on issues directly relevant to the Perpetual Bonds.

- In the event that the Issuer breaches any condition, fails to make any timely payment due and payable to a holders of Perpetual Bonds, or in the event that any material event takes place which in the opinion of the Trustee is deemed to have, or potentially materially affect the rights of the holders of the Perpetual Bonds, the Trustee shall have the right to take actions in accordance with the procedures set out in the Trust Deed, so as to maintain and protect the rights of the holders of Perpetual Bonds as a separate class of stakeholder of the Issuer.

Trustee shall monitor the company's performance in respect of its obligations and to protect the holders of Perpetual Bonds interests, to the extent and as per the terms & conditions of the Issue given in this Prospectus. Some of the responsibilities are –

- Calling for periodical reports from the Company and inspecting its books of accounts, records, registers, the Company's assets and the documents and reports related to the credit rating of the Company.

- Ensuring that the interest due on the Perpetual Bonds has been paid to the holders of Perpetual Bonds on each Interest Payment Date, subject to the terms of Chapter "Terms and Conditions of the Issue".

- Verifying that the Perpetual Bonds are redeemed in accordance with the provisions and conditions contained in this Prospectus.

- Calling or causing to be called, the general meeting of holders of Perpetual Bonds on any event which may affect the interests of the holders of Perpetual Bonds or on a requisition by one or more holders of Perpetual Bonds who own at least 10% of the total issued Perpetual Bonds.

- Ascertaining that the funds raised through the issue of the Perpetual Bonds are utilized in accordance with the Prospectus.

- Carrying out such other acts as necessary for the protection of the interests of the holders of Perpetual Bonds.

The Trustee may seek the assistance of experts and professionals to perform its duties, without prejudice to their responsibility.

RIGHTS OF THE TRUSTEE

The Trustee shall have the following specific rights, in addition to any other rights that may be conferred upon it by the Laws of Oman-

- The Trustee shall forthwith upon any breach, regulatory failure, negligent act, or similar act or omission on the part of the Issuer, bring such matter to the attention of the issuer, by way of written letter addressed to the Chief Executive of the Issuer. The parties shall use their best endeavour to restore any procedural issue, breach, and/or reach a fair and reasonable settlement of such matter. Where appropriate and agreed with the Issuer, the Trustee shall be entitled to decide and rule upon matters on behalf of the holders of Perpetual Bonds without calling a meeting of holders of Perpetual Bonds.

- In the event that the Issuer fails to remedy any breach or action a reasonable time period of having been given due notice by the Trustee to do so, or in the event that the Issuer unilaterally commits an act which may have a material effect on the holders of the Perpetual Bonds, the Trustee shall be entitled to take such actions as it seems appropriate. Where possible and practical, depending on circumstances, Trustee shall act upon a decision of a meeting of holders of Perpetual Bonds, by decision on a vote by the applicable majority. The Trustee shall also act upon an order or the guidance of duly empowered regulatory authorities in Oman.

- Where the issue to be decided upon is of a legal nature or based upon a dispute of facts, the Trustee shall have the right to approach an Attorney, or a court of law. The Trustee shall be entitled in all matters, unless it is proven that it acted negligently, recklessly, or not in the collective interest of the holders of Perpetual Bonds, to be reimbursed by the issuer within reasonable limits, for defending any legal actions arising from, or conducting any case relating to its office as Trustee, or matter of dispute as described above.

- In the event of meeting of the holders of Perpetual Bonds taking place, it shall be convened and held in accordance with the procedure for meetings as contained in the Terms and Conditions of the Issue of Perpetual Bonds.

- The Issuer shall provide the following documentation to the Trustee:

    - Quarterly and yearly financial results of the Issuer.

    - A copy of all notices of General Meetings of Shareholders of the Issuer.

- The Trustee shall be entitled to attend General Meetings of the Issuer and, where applicable, shall be entitled to address such meeting as and when deemed appropriate by the Chairman of such meeting.

- The Trustee shall be entitled to request certain information from the Issuer in order to perform its functions appropriately and diligently. All reasonable requests of the Trustee shall be duly considered by the Issuer, who shall manage all ongoing communication with the Trustee through the office of its internal legal department. The Issuer shall not be obliged to provide information beyond what may be reasonable or deemed to be appropriate.

RIGHTS OF HOLDERS OF PERPETUAL BONDS

The holders of Perpetual Bonds shall enjoy following rights to the extent and as per the terms & conditions of the Issue given in this Prospectus –

- The right to receive principal amount of the Perpetual Bonds.
- The right to receive interest payable on the Perpetual Bonds
- The right to transfer/sell the Perpetual Bonds as per the Laws of Oman and the terms and conditions of this Prospectus
- The right to share the distribution of the Company’s assets upon its liquidation (subordinated to all other creditors of the Company and in priority only to the equity shares of the Bank)
- The right to participate in meetings of holders of Perpetual Bonds and to vote at such meetings as per the provisions of the Trust Deed, CCL and CMA regulations.

CHAPTER 15: SUBSCRIPTION CONDITIONS AND PROCEDURES

Eligibility for subscription

The subscription to the Perpetual Bonds is being offered only to select investors on private placement basis.

As per CBO regulations, local banks are not eligible to subscribe to these Perpetual Bonds.

Neither the Bank nor a related entity can directly or indirectly purchase and own the Perpetual Bonds, nor can the Bank directly or indirectly finance the ownership and/or purchase of the Perpetual Bonds.

Issue Period

Issue period opens on – 5 March 2019

Issue period ends on – 11 March 2019

The Issuer may extend the subscription closing date with the approval of CMA.

Minimum and Maximum Application

The minimum application can be for 100 Perpetual Bonds and the maximum application can be for 100,000 Perpetual Bonds.

Investor Number with MCDC

1. Any person who desires to subscribe to the Issue must have an investor account with MCDC as per its working form, which may be obtained from the MCDC Head Office or its website or from brokerage companies. Each Applicant may open this account through the following outlets:

    - Head Office of MCDC in Muscat
    - By fax on number 24817491
    - Through MCDC website

2. With regard to the investors who presently hold accounts with MCDC, they shall be required, before the subscription, to ensure that their accounts contain their correct basic particulars including the name in full, postal address, Civil ID No. / Passport No. / Commercial Registration No. and details of the bank account. Every investor may update his particulars through the outlets mentioned above.

3. All correspondence including notices and cheques shall be sent to the Applicant at the address recorded at MCDC. Therefore, all Applicants shall verify the correctness of such addresses.

4. Each Applicant shall be required, after opening investor account or updating his particulars, to secure from MCDC, the right investor number and correctly write it in the Application. The investor himself shall be responsible for verification of the investor number furnished in the Application. Application not bearing the correct investor account number may be rejected without contacting the Applicant.

For more information on these procedures, please contact:

Muscat Clearing and Depository Company SAOC

Tel. +968 24822222, Fax. +968 24817491

Particulars of the bank account

1 Each Applicant shall be required to furnish the particulars of his 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 shall be required to submit a document in evidence of correctness of the bank account particulars as provided for in the Application. 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 bank account if he is subscribing through the bank wherein he maintains his 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 for subscription 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 number written in the Application, only if subscription is through a bank other than the one with whom the Applicant has his 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 for the subscription and furnish all his 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 particulars, ensuring correctness and validity of the information provided in the Application. While emphasizing on it, the collecting bank has been instructed to accept only those Applications that comply with all requirements provided in the Application 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 to the Collecting Bank along with the payment towards the Perpetual Bonds 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 Application.

7. Payment of the value of the subscription can be made by cash / cheque / bank transfer to the following account-

   Sohar International Bank Perpetual Bonds a/c
   A/c no. 00010032007002
   Sohar International Bank SAOG
   BSHROMRUXXX

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 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 and the Prospectus.

The Applicant shall be responsible for submission of his Application 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 that reaches it after its official working hours on closing date of the period for subscription.

Acceptance of the Applications

The Collecting Bank shall neither receive nor accept the Applications for subscription under the following circumstances:

1. If the Application for subscription does not bear the signature and stamp (if applicable) of the Applicant.

2. In case of failure to pay the value of the Perpetual Bonds subscribed in accordance with the conditions provided for in the Prospectus.

3. If the value of the Perpetual Bonds subscribed is paid through cheque and if the same is dishonoured for whatever reason.

4. If the Application does not bear the Applicant’s investor no. available with MCDC.

5. If the investor account number furnished in the Application is incorrect.

6. If the Applicant submits more than one Application in the same name, all of them shall be rejected.

7. If the supporting documents referred to in the Prospectus are not enclosed with the Application.

8. If the Application does not contain all the particulars of the bank account of the Applicant.

9. If the bank account details of the Applicant in the Application are found to be incorrect.

10. If the bank account details provided in the Application are found to be not relevant to the Applicant.

11. In case of failure to have the Powers of Attorney attached with the Application as provided for in the Prospectus in respect of the person who subscribes and signs on behalf of another person.

12. 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 and before expiry of the time schedule prescribed for handing over the application form 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 to such Applicant together with the subscription amount.

Undertakings by the investors

By submitting the Application, Applicants shall be deemed to have agreed, and accordingly the Issuer and Issue Manager shall be entitled to presume, that the Applicant has:

(a) clearly and unambiguously understood all contents of the Prospectus;

(b) sufficient knowledge (including of applicable laws), experience and expertise as an investor, to make the investment in the Perpetual Bonds;

(c) received all information believed to be necessary and appropriate or material in connection with, and for, the investment in the Perpetual Bonds;

(d) not solely relied on the Issuer, Issue Manager or any of their affiliates for any information, advice or recommendations of any sort about the terms of the Perpetual Bonds appearing in the Prospectus;

(e) done independent evaluation, due diligence and obtained appropriate financial, tax, accounting and legal advice of all merits and risks associated with investment in the Perpetual Bonds; and

(f) taken all necessary internal, external, regulatory and other approvals required to subscribe to the Issue.

Refusal of Applications

The Issue Manager may reject the subscription Applications under any of the conditions referred to above, after securing the 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 & 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 was submitted. In case of absence of response from the branch, the Applicant may contact the person concerned as hereunder–

Mr. Saeed Ali Al Hinai
Sohar International Bank SAOG
PO Box 44, PC 114, Hai Al Mina, Oman
Tel: +968 24730239, Fax: +968 24730280
E-mail: saeed.alhinai@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
PO Box 974, PC 112, Ruwi, Oman
Tel: +968 22350700 Fax: +968 22350745
E-Mail: cfd@gbcmoman.net

Allotment and Refund

The allotment of Perpetual Bonds to Applicants shall be at the discretion of the Issue Manager and Issuer, may not be in any specific proportion and shall be subject to approval of CMA. The submission of an Application or its acceptance by the Collecting Bank does not guarantee allotment.

Once allotment is made, the Applicant may be sent an allotment advice with the details of his allotment and refund. The Applicant shall coordinate with the MCDC to ensure that the Perpetual Bonds allotted to the Applicant appear in his investor account with MCDC.

Refunds will be made within 15 days of the closure of the Issue and may be directly transferred to the Applicant's bank account provided in the Application Form. Refunds shall be made net of the bank charges and other charges, as applicable.

Issuer's right

The Issuer reserves the right to withdraw / cancel the Issue prior to the listing date of Perpetual Bonds 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.

Listing

The Perpetual Bonds shall be listed on MSM.

Proposed Timetable

The following is only an indicative proposed time table for the Issue –

Activity	Date*
Issue Opening Date	5 March 2019
Issue Closing Date	11 March 2019
Receipt of final subscription report from Collecting Bank	12 March 2019
CMA approval for allotment	14 March 2019
Listing of Perpetual Bonds on MSM	21 March 2019

*The actual dates may vary.

Responsibilities & Obligations

The Issuer, Issue Manager, Legal Adviser, Collecting Bank and the MCDC 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 16: 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 & regulations issued thereunder have been complied with.

Signed on behalf of the Board of Directors:

Name	Signature
Mr. Salim Mohammed Al Mashaikhy	Sd/-
Mr. Abdullah Salim Al Harthi	Sd/-

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 issue of Perpetual Bonds by Sohar International Bank SAOG.

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