


Sohar
international

Prospectus Rights Issue

Subscription opening date: 12 September 2022

Subscription closing date: 20 September 2022



Sohar International Bank SAOG
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RIGHTS ISSUE PROSPECTUS

Rights Issue of 1,600,000,000 shares at a price of Baisa 102 per share
(with a share price of Baisa 100 per share plus issue expenses of Baisa 2 per share)

RIGHTS TRADING PERIOD

Opening Date: 7 September 2022
Closing Date: 13 September 2022

ISSUE PERIOD

Opening Date: 12 September 2022
Closing Date: 20 September 2022

Financial Advisor and Issue Manager

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Collecting Bank

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Legal Advisor

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This Prospectus has been prepared in accordance with the applicable guidelines stipulated by the Capital Market Authority of Sultanate of Oman. This is an unofficial English version of the original prospectus prepared in Arabic and approved by Capital Market Authority vide its Administrative Decision no. kh/119/2022 dated 21 August 2022. In the event of any conflict between the English and Arabic versions of the prospectus, the Arabic version will prevail. The Capital Market Authority assumes no responsibility for the accuracy and adequacy of the statements and information contained in the Prospectus nor shall it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person.



His Majesty
Sultan Haitham Bin Tarik Al Said



IMPORTANT NOTICE TO INVESTORS

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

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

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

All investors should examine and carefully review

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

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

IMPORTANT POINTS

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

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

ADDITIONAL POINTS TO BE NOTED

References to documents

All summaries of documents referred to in this

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

Scope of information

The information contained in this Prospectus is intended to provide a prospective Applicant with adequate information relating to the investment opportunity and background information on the Issue. However, this Prospectus does not necessarily contain all the information that a prospective Applicant may consider material. The content of this Prospectus is not to be construed as legal, business or tax advice. Each prospective Applicant should consult his own lawyer, financial advisor or tax advisor for legal, financial or tax advice in relation to any purchase or proposed subscription to the Issue.

Investor due diligence

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

Restrictions on distribution of this Prospectus

The distribution of this Prospectus and the Issue may, in certain jurisdictions, be restricted by law or may be subject to prior regulatory approvals. This Prospectus does not constitute an offer or an invitation by or on behalf of the Bank to any person in any jurisdiction outside Oman to purchase any of the Offer Shares where such offer or invitation would be unlawful. The Bank and the Issue Manager require persons into whose possession this Prospectus comes, to inform them of and observe, all such restrictions. 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 Offer Shares by any person, whether or not a prospective Applicant, in any jurisdiction outside Oman where such sale, offer to sell or solicitation to subscribe would be unlawful.

Restrictions on use of information contained in this Prospectus

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

Disclaimer of implied warranties

Save and except as required under applicable law and regulations, no representation or warranty, express or implied, is given by the Bank or the Issue Manager, or any of their respective directors, managers, accountants, 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.

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 MSX website at www.msx.om.

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Unless stated otherwise, the financial data in this Prospectus is derived from the Bank’s audited financial statements or its unaudited interim financial statements, in each case prepared in accordance with IFRS. Copies of the financial statements are available on MSX 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 of Oman.

Industry and Market Data

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



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CHAPTER 1: ABBREVIATIONS AND DEFINITIONS

Additional Shares	Additional Shares mean additional Offer Shares applied for by a Shareholder in addition to such Shareholder's rights entitlement.
Allotment Date	The date on which CMA approves the allotment of Offer Shares to successful Applicants.
Applicant	Shareholders who are eligible as at the Record Date for subscription to the Rights Issue or a person who has purchased a rights entitlement through the MSX and who submits their completed Application Form to the Collecting Bank on or before the issue closing date.
Application Form	The application form required to be completed by an Applicant for subscribing to the issue.
Articles	Articles of Association of the Bank as registered with MOCIIP and CMA, as may be amended from time to time in accordance with the provisions as contained therein
Baisa	One thousandth of Omani Rial (1000 Baisa = 1 Omani Rial)
Banking Law	The Banking Law of Oman promulgated by Royal Decree 114/2000 and the amendments thereto
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 MSX are open for general business in Oman
CBO	Central Bank Oman
CCL	Commercial Companies Law of Oman promulgated by Royal Decree 18/2019 and the amendments thereto
CMA	Capital Market Authority of Oman
Code	The Corporate Governance Code for public listed companies issued vide CMA Circular No. E/4/2015 on 22/7/2015
Director	A member of the Board of Directors of the Bank
Financial Advisor and Issue Manager	Sohar International Bank SAOG
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
Government	Government of Oman
Issue / Rights Issue	The rights issue of the Shares made under this Prospectus
Issuer / Bank	Sohar International Bank SAOG
Laws of Oman	The laws of Oman in the form of Royal Decrees, Ministerial Decisions, CBO regulations, CMA regulations etc. as the same may have been, or may from time to time be enacted, amended or re-enacted or issued
MCD	Muscat Clearing and Depository SAOC

MOCIIP	Ministry of Commerce, Industry and Investment Promotion of Oman
MSX	Muscat Stock Exchange SAOC of Oman
Offer Shares	The Shares that are the subject of the Rights Issue
Oman	Sultanate of Oman
Omani Rial / RO	The lawful currency of Oman. Each Omani Rial is equivalent to 1,000 Baisa
Prospectus	Means this Prospectus, as approved by the CMA
SAOG Regulations	The Regulation of Public Joint Stock Companies No 27/2021 issued on 25 February 2021
Record Date	The date as on which the Shareholders whose names are registered in the MCD records will be eligible to subscribe to the Rights Issue.
Shares	The ordinary shares of the Bank
Shareholders	The shareholders of the Bank
SME	Small and medium enterprises
Subscription Price / Issue Price	102 Baisa per Offer Share, payable by an Applicant, as stated in this Prospectus.

CHAPTER 2: SUMMARY OF THE ISSUE

Issuer	Sohar International Bank SAOG
Commercial Registration No.	1014333 established on 4 March 2007
Principal place of business	PO Box 44, PC 114, Hai Al Mina, Oman
Bank's duration	Unlimited
Authorised Share Capital	RO 1,000,000,000
Issued & Paid up Capital (pre-issue)	RO 295.355 mn divided into 2,990,062,290 shares
Issued & Paid up Capital (post-issue)	RO 455.355 mn divided into 4,590,062,290 shares (assuming full subscription)
Issue size	1,600,000,000 Shares offered at Baisa 102 per share, aggregating to RO 163,200,000
Issue Price	Baisa 102 per Offer Share, consisting of issue price 100 in place of Baisa 2 towards issue expenses, payable in full on submission of Application Form.
Purpose of the issue	The purpose of the Rights Issue is to increase the Tier I capital of the Bank by increasing its paid-up capital, so as to enable its business growth and capital adequacy compliance.
Issue period	Opening Date: 12 September 2022 Closing Date: 20 September 2022
Rights trading period	Opening Date: 7 September 2022 Closing Date: 13 September 2022
Rights Entitlement	Every shareholder as on the Record Date is entitled to about 53.51 Offer Shares for every 100 shares held as on the Record Date i.e. 1 Offer Share against about every 1.87 shares held on Record Date, duly rounded down.
Eligibility for Subscription	Subscription for the Rights Issue is open to the Shareholders whose names appear in the Bank's shareholder register with the MCD as on the Record Date. Persons who purchase the rights on the MSX within the trading period of the Rights Issue are also eligible to subscribe for the Offer Shares before the Rights Issue closes. The 'rights' representing ownership rights of Shareholders to subscribe to the Rights Issue may be traded on the MSX during the period prescribed for that purpose. A Shareholder has the option to either subscribe to the Rights Issue or sell the 'rights' entitlement on the MSX. The eligibility to subscribe for Offer Shares shall lapse in case the Shareholder neither exercises his right of subscription to the Rights Issue nor sells its 'rights' on the MSX during the prescribed period.

Application for Additional Shares	Shareholders as on the Record Date may apply for Additional Shares and shall fill in the required details in the Application Form and submit it to Collecting Bank along with requisite subscription amount. A Shareholder who does not subscribe to his full rights entitlement or sells his rights entitlement (either in part or in full) is not eligible to apply for Additional Shares. A non-shareholder who has bought rights entitlement is not eligible to apply for Additional Shares. The application and allotment of Additional Shares shall be subject to the terms and conditions stipulated in Chapter 14.
Record date	1 September 2022
Start of trading of rights entitlement	7 September 2022
End of trading of rights entitlement	13 September 2022
Subscription opening date	12 September 2022
Subscription closing date	20 September 2022
Allotment	The Offer Shares shall be allotted against valid and approved Application Forms, subject to the provisions of Chapter 14. The Offer Shares shall be allotted and refunds will be made (if required) within 3 days from the Allotment date, after obtaining CMA approval for allotment. The Applicant, after the announcement of the allotment, shall ensure that the allotted shares are appearing in its account with MCD.
Refund of application money	Refund of application money, if any, shall be made to the Applicants, within 3 days of the Allotment.
Listing	Since the shares of the Bank are already listed on the MSX, the Offer Shares shall also be listed on the MSX.
Approvals for the Issue	<ul style="list-style-type: none"> Board approval vide its resolution dated 15 June 2022 CBO approval vide its letter no. LD/CBS/BS/2022/859 dated 15 August 2022 CMA approval vide its Administrative Decision kh/119/2022 dated 21 August 2022
Financial Advisor & Issue Manager	Sohar International Bank SAOG PO Box 44, PC 114, Hai Al Mina, Oman Tel: +968 24730000, Fax: +968 24730010 Email: advisory@soharinternational.com
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, m.albusaidi@aglaw.com
Statutory auditor	Deloitte & Touche (M.E.) & Co. LLC P.O. Box 258, Ruwi, Postal Code 112 Muscat, Sultanate of Oman
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

CHAPTER 3: USE OF PROCEEDS AND ISSUE EXPENSES

Use of Proceeds

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

Estimated issue expenses

The issue expenses of the Rights Issue are estimated at RO 3,330,000 which is equal to approximately 2.04% of the total gross proceeds of the Rights Issue, assuming full subscription. The issue expenses of the Rights Issue will be partly met from the amounts collected from Applicants at 2 Baisa per Offer Share and the remainder will be borne by the Bank. Any surplus of the collection towards Issue Expenses over the actual expenses incurred will be retained by the Bank and credited to its legal reserve or a special reserve to be established pursuant to Article 126 of the CCL.

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

Particulars	Amount (RO)*
Issue Manager Fees	35,000
Financial Advisor and Placement Agent	3,200,000
Legal Advisor's fees	10,000
CMA Fees	50,000
Marketing, Advertising, Printing, Postage & Publicity	25,000
Other Expenses	10,000
Total estimated issue expenses	3,330,000

*These are estimates and may change as per actuals. *The estimates excludes VAT.*

CHAPTER 4: ISSUER'S OBJECTIVES AND APPROVALS

Overview

The Bank was registered as Bank Sohar SAOG on the Commercial Register, maintained by the MOCIIP 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 MSX, 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

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 under the Articles of Association are 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:
- carry on the business of Islamic banking in all its fields, and provide banking services in compliance with Islamic Shari'ah;
 - carry on all works of finance and investment in accordance with the provisions of Islamic Shari'ah through different types of Islamic finance and investment, including but not limited to Murahaba, Mudaraba, Musharaka, Ijara, Istisna', etc;
 - 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, Industry and Investment Promotion	Commercial Registration No. 1014333	27 February 2027
Oman Chamber of Commerce and Industry	Membership Certificate No. 1779	26 March 2023
Central Bank Oman	Commercial Banking License Islamic Banking Licence	Ongoing as per Banking Law
Capital Market Authority	Investment related activities*	31 December 2024

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

Approvals

The Issue has been approved by:

- Board of Directors - vide its resolution date 15 June 2022.
- CBO - vide its letter no. LD/CBS/BS/2022/859 dated 15 August 2022.
- CMA - vide its Administrative kh/119/2022 dated 21 August 2022.

Changes in Bank's equity capital

Year	Paid-up capital opening balance (RO '000)	Issue of Rights shares	Share premium transferred to share capital	Bonus Shares	Bonus Shares for every 100 shares held	Capital from conversion of bonds (RO '000)	Paid-up capital end of the year (RO '000)
2016	144,144			14,414	10	1,892	160,450
2017	160,450			16,045	10	1,970	178,465
2018	178,465			17,846	10	1,954	198,265
2019	198,265	38,095					236,360
2020	236,360		1,904	7,091	3		245,355
2021	245,355	50,000					295,355

CHAPTER 5: OVERVIEW OF THE OMAN ECONOMY AND BANKING SECTOR

OVERVIEW OF OMAN ECONOMY

2021 marked the beginning of the Sultanate of Oman's 10th Five-year Development Plan (FDP), which, along with the 2022 General Budget is shaped by Oman's 2040 Vision priorities, such as achieving fiscal sustainability, economic diversity, and reducing the ratio of the size of public debt to the GDP.

Despite the economic downturn caused by the pandemic, 2021 witnessed massive changes to the business, legal, and tax frameworks in the country, sustaining the momentum of development measures, set forth in previous years, with the aim of achieving fiscal sustainability and economic diversification, among other objectives.

While Oman's Budget 2022 focuses on recovery, rebuilding national resilience and catalysing reform, to drive socio-economic recovery and the national development agenda, the 10th FDP focuses on increasing the contribution of non-oil industries to 90% of the GDP by 2040, while also reducing government debt.

A series of regulations have been introduced by the government to achieve a cross section of economic objectives. The Medium-Term Fiscal Balance Plan 2020-2024 (MTFP) aims to par the budget deficit down to 1.7 per cent of GDP by 2024. The plan focuses on supporting economic growth, diversifying and enhancing sources of government revenues, rationalising government expenditures and driving efficiency, enhancing the social safety net and strengthening financial management.

With massive rebound in the oil prices due to strong economic recovery post-lockdowns and rising geopolitical tensions due Russia-Ukraine war, the Sultanate of Oman likely to record its first fiscal and current account surplus in eight years in 2022.

Oman's post-pandemic priorities are focused on developing the private sector, accelerating economic diversification, and reducing the national deficit. Given that the 2022 General Budget was drafted with the 10th FDP and Oman Vision 2040 in mind, we can expect to see Government spending and fiscal policy that consistently align with the objectives of these two medium and long-term plans. With this budget, the government seeks to sustain the recovery efforts and restore economic growth to pre-pandemic levels whilst achieving a sustainable debt position. In fact, in the last 6 months, Fitch has changed Oman's outlook from negative to stable, while both Moody's and S&P Global Ratings upgraded their outlook from stable to positive.

OVERVIEW OF BANKING SECTOR

The Omani banking sector has remained resilient and robust, and maintained a steady growth in 2021 despite economic challenges. Organic growth and strengthened capital buffers have allowed banks to provide adequate credit and other services efficiently to all segments of the economy while posting reasonable profits. The prudent and farsighted policies of the Central Bank of Oman (CBO) combined with better than budgeted global oil prices helped steady the banking sector further. Several measures were implemented to encourage the use of digital mode for payments, which included relaxations in various access rules and quantitative restrictions.

The FinTech Regulatory Sandbox, launched in December 2020 received an overwhelming response, with several local and international participants, coming forward to present their payment solutions during the first cohort. Despite initial challenges, the relevant authorities are working toward overcoming these and foster the growth of an effective ecosystem, wherein the FinTech start-ups and banks work under a collaborative framework, for the benefit of all stakeholders. Accordingly, the Central Bank of Oman along with Oman Banks Association is working on various initiatives, including FinTech, such as the open banking strategy for the financial sector, cloud computing and extending banks' support to regulatory sandbox applicants.

Central Bank of Oman had also facilitated digital on-boarding of customers, recognising its importance and to make it an 'on-tap' facilitation. Accordingly, an e-KYC project has been initiated to be undertaken in collaboration with Oman Credit Bureau, Malaá. The platform, once operationalized, will pave the way for quick and compliant digital on boarding of customers. The 'Direct Debit Mandate Management', successfully rolled out July 2021, had been well received by corporates and businesses and is currently, in the integration stage with the banks. The Ministry of Commerce, Industry and Investment Promotion, mandating E-payment option in certain private sector activities from 2022, will further support the digital transformation in the Sultanate, under Oman Vision 2040, thus fulfilling the goal of being a 'less-cash' dependent society.

CHAPTER 6: BUSINESS OVERVIEW

INTRODUCTION

The inspiring, ongoing story of the Bank is one that was shaped as a direct result of a deeper purpose to help people ‘win’ by delivering banking for their ever-changing world. It’s a story which relies on a vision to be a world-leading Omani service company that helps customers, communities and people, to prosper and grow. The Bank has quickly become the fastest growing bank as well as one of the most profitable banks within the Sultanate of Oman designed for success by putting into motion the organization’s applauded strategy resulting in milestones that have been attested by numerous local, regional, and international accolades covering a wide spectrum of the bank’s activities and initiatives.

The Bank seeks innovation to add value to every experience. Engaged in businesses catering to Commercial and Investment Banking to Wealth Management, Islamic Banking and beyond, every segment presents an opportunity waiting to be harnessed into a uniquely successful proposition achieving diversity and contributing towards Oman Vision 2040. With a clear direction of bringing the best of the world to Oman and taking the best of Oman to the world, The Bank partners with countless international entities adding value to its ecosystem of products and services.

The bank has positioned itself well within the market having established presence throughout the country. The Omni channel approach to banking under the digitalization agenda of the bank has also taken off with state-of-the-art digital banking platforms that provide retail and corporate clients seamless, secure, and convenient banking at the touch of their fingertips.

The Bank places strong belief in the spirit of winning that extends beyond customers through many CSR programs. With increased global focus and importance on Environmental, Social, Governance (ESG) factors, the bank remains committed to incorporating these principles within its business strategies. The Bank’s values compliment initiatives in relation to sustainability, diversity & inclusion, and are well aligned with the nation’s considerable efforts to adopt environmental sustainability and social spheres, through effective governance structures.

Awards and Recognition

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

Category / Award	Organization	YEAR
Best Employer Brand Award	World HRD Congress - Oman Best Employer Brand Awards 2021	2021
Award for Managing Health at Work	World HRD Congress - Oman Best Employer Brand Awards 2021	
Most Innovative Bank Oman 2021	World Economic Magazine	
Most Improved Bank in Profitability Management Oman 2021	World Economic Magazine	
Innovative Campaign of the Year	UMS	
Best Corporate Bank – Oman 2021	Global Business Outlook - 7th Annual Global Business Outlook Awards 2021	
Business Leader of the Year Award	UMS	
Viewpoints Award	UMS	
Debt Deal of the Year - Oman Award	Charlton Media Group - ABF Corporate & Investment Banking Awards 2021	
Equity Deal of the Year - Oman Award	Charlton Media Group - ABF Corporate & Investment Banking Awards 2021	
Quality Achievements Award 2021	ESQR	
COVID Response Innovation (Winner)	Infosys Finacle Innovation Awards 2021.	
Process Innovation (Runners up)	Infosys Finacle Innovation Awards 2021.	
Fastest Growing Commercial Bank	The Global Economics	
Fastest Growing Bank - Large Banks	Oman Banking and Finance Awards 2022	
Excellence in Digital Transformation Award	Oman Banking and Finance Awards 2022	
Wells Fargo Special Recognition Award	Wells Fargo	



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.
- **Diversified Portfolio:** Credit book of the Bank is widely diversified among all the key sectors of economy offering a well-balanced portfolio.
- **Strong growth:** The Bank has been one of the fastest growing banks in Oman in terms of total assets since 2007. It has achieved strong growth in deposits, with a very healthy CASA ratio over the last few years. This reflects the successful ongoing implementation of the strategy set by the Bank.
- **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, operational, Fraud, Information Security, business continuity, system administration, and residual risk. The risk is evaluated on a transaction basis as well as on a portfolio basis. Risk management is strengthened by historical portfolio analysis, projections, and predictions, sensitivity analysis etc. Sufficient process, policies, and triggers are established which is updated at regular intervals to ensure regulators' compliance requirement as well as to support inclusive growth.
- **Islamic banking window:** The Bank's Islamic window under the name 'Sohar Islamic' was established in full compliance with Shari'ah requirements and CBO regulations. Islamic Banking provides the Bank with significant flexibility in allowing customers to choose the type of banking service they prefer.

BUSINESS SEGMENTS

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

- **Wholesale Banking** caters to diversified institutional clientele base comprising Government institutions & Companies, financial institutions, large business groups, mid-corporates, MSMEs. Services include, but not limited to loans and deposits, Project Finance & Syndication, Investment banking, Transaction Banking.
- **Retail Banking** includes loans to and deposits from retail customers, credit card and fund transfer facilities.
- **Islamic Banking** includes Islamic financing activities, current accounts, unrestricted investment accounts and other products and services to corporate and individual customers under Shari'ah principles.



Wholesale banking - Overview

The Wholesale Banking Group has a diversified institutional clientele base comprising Government institutions & agencies, financial institutions, large business groups, mid-corporates, MSMEs and individuals. The Bank has a multitude of products & solutions viz. project finance, working capital financing, supply-chain finance, transaction banking (cash management & trade solutions), cross-border financial transactions, treasury (Forex management & Interest rate risk management), business advisory and asset management, to support these clients to undertake commercial activities in Oman and service the banking requirements.

The Wholesale Banking Group had embarked upon the journey of Client Centricity during 2019 and extended the same to "Ecosystem Financing" during 2020. Our "One Bank-One Team" approach along-with Client Centricity focus propel us to offer integrated suite of banking products and solutions to our clients viz. credit products, payment solutions, collection solutions, digital banking solutions, pre-paid & credit cards, investment, advisory, retail products for business owners and their employees viz. salary accounts, private and wealth banking products, insurance, home loan, personal loan, vehicle loan, etc. Wholesale Banking Group strives to understand client's strategic goals to identify a holistic solution thereby up-tiering themselves from Relationship Managers to Trusted Advisors, thereby providing value enriching services and ensuring "Sohar International" to be always the Bank of Choice.

As the world accelerates towards digitalization, a more innovative, automated and future-focused approach, in line with Bank's vision to be a leading Omani Service Company, the Bank has introduced the Unified Digital Banking Service Platform (Sohar International Digi-Bank) to address the client's overall banking requirements and help them WIN in every step.

Wholesale Banking is aptly positioned on the path for New-Age Banking and clients are uniquely positioned to take advantage and leverage the benefits of the digital transformation journey undertaken by the Bank. During the pandemic situation, the Bank has successfully migrated its clients from physical banking to digital banking thereby ensure unfettered seamless banking services. A calibrated roadmap was laid out by the Bank to handhold the clients to its proprietary digital banking solution platform, thereby ensuring a safe banking experience for all during the pandemic.

During the year, the Bank rationalised many business processes and reinvigorated the organization structure of the Wholesale Banking Group with an objective to align the strategic business imperatives of the Bank with the present operating business environment. This has allowed the Group to pre-define roles and responsibilities across various customer segments with razor sharp focus on effective & efficient service delivery through specific departments:

- **Corporate Banking:** Large business groups, mid-corporates, 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 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 corporates engaged in a wide range of economic activities which are in-line with the VISION 2040 of the Sultanate.
- **Small- and medium-sized enterprises:** The primary focus of the SME Unit has been to handhold enterprises from the SME Sector as a trusted advisor. The Bank's SME Unit played a vital role to nurture nascent industrial clusters in Oman and it has emerged as a trusted guide, continuing to focus its vision on following the Government's directives in diversifying from an oil dependent economy and helping unlock the potential of the SME sector. In view of COVID-19 and its adverse impact on businesses - in particular, SMEs, which are vital constituent of the economy, the Bank, based on the spirit & guidance of the economic stimulus measures taken by the Government through the Central Bank of Oman, had waived the interest and fees, and defer the due instalments appropriately. The SME Unit is positioned as a knowledge partner, providing total business solutions to budding entrepreneurs, and introduce SMEs to entry-level risk management by educating them on early warning signs. Promoting the 'Ecosystem



Financing” to ensure cross-selling of products has been another key aspect to further assist them financially. As such, SME desks have been functioning at all of the Bank’s branches.

- **Government Institutions and Companies:** Ensures regular single point contact for the banking requirements of the Government, its ministries and corporate entities with a direct or indirect Government holding, in line with our “One Bank-One Team” approach. The Bank has developed strategic partnerships with key Government Ministries & Agencies providing holistic banking solutions through its innovative wide range of digital services.
- **Project Finance & Syndication:** Provides credit facilities to industrial units for Greenfield project as well as for expansion, diversification and modernization of existing industrial concerns. It is uniquely positioned to sign up big projects, and steer large size Greenfield investments, for the purpose of creating in-country value, boosting production & manufacturing, creating jobs and achieving the national goals of indigenization, self-reliance and self-sufficiency. Team has rich & diverse experience across sectors in line with Oman’s Vision 2040.
- **Asset Management:** The Bank supports the Capital Market Authority’s vision of becoming an engine for sustainable economic growth and wealth creation in the Sultanate. The Bank was appointed as the custodian and collecting bank for a leading fund, playing a key role in attracting Foreign Direct Investment for economic diversification in pursuance of Oman’s 2040 vision. The custodial mandate is more than a privilege; it is a testimony of the Bank’s ability to support institutional clients and provide asset servicing and management expertise to pension funds, sovereign wealth funds, investment managers and ultra-high net worth individuals. The Bank is already managing sizeable portfolio mandates of leading Institutions of international repute and curating customised portfolio management strategies. During 2022, the Bank is looking forward to digitalize the entire customer experience journey and cater to wider range of asset management and wealth management products.
- **Investment Banking:** Providing guided assistance to both Government agencies and corporates in framing the best capital structure, raising capital and monetizing assets. The Bank’s asset management department has all the required platforms for investors to tap the local and international markets. This includes advisory capability for tailor made portfolios based on the risk profiling. In 2020-21, the Bank successfully closed multiple mid-sized investment banking deals encompassing these services and advised Government Agencies on strategic transactions. Our window to access international trading platforms with leading financial institutions provides an edge for investments for our Institutional clients. Bank’s exclusive strategic alliance with European Financial Group (EFG).
- **Financial Institution:** By leveraging our extensive global network of banking relationships, we provide uninterrupted and regulatory compliant remittances and payments services to our clients across multiple geographies at highly competitive rates. The Bank has customized agreements with leading banks in US, Europe, Japan and GCC regions for respective local currency payments. Besides supporting remittances, the team actively supports the cross-border trade business, mobilising capital and exploring competitive funding for client trade transactions.
- **Global Markets:** The Global Markets team offer designed treasury services and solution to manage the interest rate risk and foreign exchange risk of our clients. The Global Markets team apart from securing the best interests of the clients is also responsible for the balance sheet management of the Bank. It manages the liquidity (Asset Liability Management) and interest rate risks on the balance sheet and is responsible for meeting statutory reserve requirements. During 2020, the Bank achieved an all-time high for customer liabilities in its history of operations.



Our window to access international trading platforms with leading financial institutions provides an edge for investments for our Institutional clients. Bank’s exclusive strategic alliance with European Financial Group (EFG)

Transaction Banking: Bank continued with its digital journey and has invested into Next-Gen transaction banking platforms to ease Customer Experience & scale-up transaction volumes in treasury, trade and cash management. The Bank has introduced this Next-Gen platform viz. Digi-Trade & Digi-Cash during 2021-22 and has already on-boarded more than 200 clients in a short time. Focused on convenience, security and speed, the Bank’s digital banking experience is built around agile banking products and services that empower customers to tap into an ecosystem of online connectivity, anytime and anywhere and can manage their business holistically viz. vendors, customers, utility payments, etc. By integrating the Bank’s system with their Enterprise Resource Planning (ERP), the clients are able to process their transactions digitally including seamless reconciliation and accounting.

Retail Banking - Overview

Overall, the Retail Bank offers compelling value propositions across its customer segments through unique & competitive product suite and superior service focus at the various customer touch-points.

Customer Segments

- **Wealth Management** is our flagship segment that offers a suite of services specially designed to meet the needs of the exclusive customer, the Bank’s Wealth Management offering have been curated to provide fiduciary advice and highly customized financial and related facilities, that include a bouquet of exclusive products, services and features; all delivered with commitment and personalized attention.
- **Sohar First** proposition aims at providing an ecosystem of banking and non-banking services underlined by exemplary customer experience, to the mass affluent segment offering them a wide range of solutions that provide a sense of priority, upside benefits and a clear price versus benefit proposal.
- **Youth proposition** is part of the Bank’s strategy to ensure that being a service-oriented organization, it caters to the smallest of financial needs of the consumer, thereby encouraging them to plan ahead and adopt prudent financial practices especially in a country such as Oman with a large proportion of the population being youth.

Product Suite

- **Liability** offers an array of products such as Savings, Current Account, Call Account, Margin Accounts and Time Deposits with variants and Instant Interest Fixed Deposit Accounts with competitive and attractive interest rates.
- **Loan** products include Personal, Mortgage, Education and Auto. Additionally, we offer Term-Loan & overdraft for HNI clients.
- **Bancassurance** offers a wide variety of insurance products to meet customer needs from auto, home, health and life as well as business and more. Our Life insurance products provide a risk cover that will protect customers in case of an unfortunate event.
- **Cards** comprise of debit, credit & prepaid cards offering worldwide acceptability at 2.5 million ATMs and 40 million merchant locations with very competitive features and value for customers.
- **POS and Payments Products** comprise of debit, credit & prepaid cards offering worldwide

Islamic Banking

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

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 July 2022, the Bank had a network of 29 branches for conventional banking and 9 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. In addition to the local presence, the bank has obtained the regulatory approvals to establish presence in Kingdom of Saudi Arabia.

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 July 2022, the Bank had a network of 72 ATMs and 31 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:** Offers quick and instant banking services, eliminating your dependence on banks for basic transactions. Offering verses services such as account and card management, Transfers (Own, within Sohar, Domestic and international), utility payments and top-up.

Sources of Financing and Debt Equity Ratio (Based on unaudited interim condensed financial statements for the six months ended 30 June 2022)

	Pre-issue	Post-rights issue
Due to banks	883,669	883,669
Customer deposits	2,567,980	2,567,980
Other liabilities	280,511	280,511
Subordinated loans	35,385	35,385
Total Debt	3,767,545	3,767,545
Shareholders' Equity		
Share capital	295,355	455,355
Share premium	18,038	18,038
Legal reserve	34,389	34,389
General reserve	988	988
Impairment reserve	5,464	5,464
Fair value reserve	(1,692)	(1,692)
Subordinated loans reserve	28,000	28,000
Retained earnings	15,466	15,466
Total Shareholders' Equity	396,008	556,008
Perpetual Tier 1 Capital Securities	200,000	200,000
Total Equity	596,008	756,008
Total financing sources	4,363,553	4,523,553
Total Debt/Total Equity ratio	6.32	4.98

Note: The Bank proposes to raise additional Tier 1 of RO 50 million with a green-shoe option of RO 25 million, as per announcement dated June 16, 2022. Further the Bank proposes to redeem existing Tier 1 Perpetual capital securities of RO 100 million at the call date in September 2022. Post new issuance of RO 50 million and redemption of existing RO 100 million; the debt/equity ratio would be 5.34.

Asset quality and Provisioning

Asset quality reflects the quality/quantity of existing and potential credit risk associated with the loan book and other investment portfolios. The strength and soundness of the banking system primarily depends upon health of the loans and advances as they significantly contribute to the developmental activities of the country. Loans and advances occupy an important part in gross earnings and net profit of SIB. Hence, ability of the bank to formulate and adhere to policies and procedures that promote solid asset quality becomes extremely crucial. SIB carries an inherent responsibility of maintaining the quality of assets and to recover the interest and other dues in time. The Bank evaluates the asset quality of its loan portfolio and adequacy of provisions using two primary measures- the NPL ratio and the provisioning ratio. The non-performing loans ratio is the ratio of non-performing loans as a percentage of total loans. The provisioning ratio is the annual charge for provisions as a percentage of the Non-Performing Loans. All provisions/ECL are calculated/applied as per the IFRS9 requirements and applicable CBO guidelines.



Information Technology

The Bank's Technology strategy is focused on providing reliable, available information and digital services to its customers and employees in a secure environment. It also assesses the Bank's future operational and growth needs, develops, and implements new state of the art Technology 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 convenient and efficient banking services, offering a range of digital services. 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.

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

As an integral part of the community, we recognize that we have a role to play in the future of our communities, our workforce and our country. It's why our strong belief in the spirit of winning extends beyond customers and further comes to life across many CSR programs. These programs includes support on a national level as well as on an individual level.

One of the key areas where the bank played a contributing and a supporting role was in response to the devastation of Cyclone Shaheen, which impacted the Governorate of Al Batinah. In this regard the Bank is committed to renovation of impacted houses within the region having successfully completed phase 1 earlier this year and initiating phase 2. In rapid response to the impacts of Cyclone Shaheen, the Bank has allocated RO 5 million providing interest free loans and deferment options on debt repayments to support impacted customers rebuild. With the spirit of volunteerism, social service, and philanthropy running through every member of the Bank team, the Bank achieved significant milestones in its various endeavours with this regards to enrich the lives of people and drive socio-economic progress in the country

The Bank is committed to Oman's socioeconomic development agenda and takes great pride in supporting and complimenting the many community efforts of our esteemed government. Leading from the front, The Bank provided 200 fresh graduate a 2-year on the job training and development program across a varied range of sectors in cooperation with the Ministry of Labour. In addition, the Bank acclaimed "Tomohi" program, which continued in 2021 providing 20 internships to talented Omani graduates as a stepping-stone for commencing their professional careers.

Promoting knowledge transfer and supporting such platforms, the Bank was involved in various social, educational, and digital transformation activities within the Sultanate including sponsorship of the third Oman Science Festival organized by the Ministry of Education, Injaz Oman, New Age of Banking Summit 2022 and OER Conference 2022. Whether the activities focused on providing the youth of our beloved nation a platform to share their knowledge and gain further experience, or highlighting key trends to professionals representing the corporate industry, The Bank continues to play a proactive role in serving the community and supporting the social and economic development of Oman.



ESG

As is with any facets of the personal and/or professional world, the only constant is 'change'. In this ever-changing world that we live in and serve, The Bank seeks to continue enhancing and adopting best international practices that truly define it as an international entity and one that is part of the global community.

Having a dedicated Environmental and Social Governance focus through a dedicated unit as well as branching out this framework throughout the organization, the bank is set to make a positive impact and create 'wins' on all fronts thereby enhancing shareholder value as well as enriching the lives of those that we touch. With multiple advancements happening in real time in the aforementioned space and the true value that is brought about incorporating Environmental and Social Governance framework, The Bank yet again seeks to lead and set a benchmark for other entities to follow in its footsteps.

CHAPTER 7: FINANCIAL REVIEW

The following information has been extracted from the audited financial statements for the years ended 31 December 2017 to 2021. For full financial statements, please visit MSX website at www.msx.om or Bank's website at www.soharinternational.com. The financial information presented for the six month period ended 30 June 2022 is unaudited.

Statement of Financial Position

(RO million)

	June 2022 *	2021	2020	2019	2018	2017
Assets						
Cash and balances with Central Bank	112	96	203	90	72	182
Due from banks and other money market placements	166	173	82	198	121	104
Loans, advances and financing (net)	2,732	2,612	2,503	2,454	2,252	2,099
Investment securities	1,049	1,032	701	637	533	414
Property, equipment and fixtures	48	48	44	38	20	17
Investment properties	3	3	3	3	3	3
Other assets	254	170	75	85	45	24
Total assets	4,364	4,134	3,611	3,505	3,046	2,843
Liabilities						
Due to banks and other money market borrowings	884	919	720	735	722	719
Customers' deposits	2,568	2,394	2,232	2,097	1,818	1,643
Other liabilities	281	189	91	101	85	31
Subordinated loans	35	35	35	35	35	35
Compulsory convertible bonds	-	-	-	-	-	2
Certificates of deposit	-	-	1	1	1	19
Total liabilities	3,768	3,537	3,079	2,969	2,661	2,449
Shareholders' equity						
Share capital	295	295	245	236	198	179
Share premium	18	18	18	20	18	18
Legal reserve	34	34	31	29	24	21
General reserve	1	1	1	1	1	1
Impairment reserve	5	5	5	-	-	-
Special Reserve	-	-	-	-	-	3
Fair value reserve	(1)	(2)	(3)	(2)	(2)	(1)
Subordinated loans reserve	28	28	21	14	7	-
Retained earnings	16	17	14	38	39	73
Total shareholders' equity	396	397	332	336	285	294
Perpetual Tier 1 Capital Securities	200	200	200	200	100	100
Total liabilities and shareholders' equity	4,364	4,134	3,611	3,505	3,046	2,843

Statement of Comprehensive Income

(RO million)

	June 2022 *	2021	2020	2019	2018	2017
Interest income	76	148	147	147	130	109
Interest expense	(33)	(70)	(75)	(77)	(74)	(62)
Net interest income	43	78	72	70	57	48
Net income from Islamic financing and investing activities	4	8	6	6	5	4
Other operating income	13	25	14	29	33	25
(Loss) / gain from available-for-sale investment securities	-	-	-	-	-	-
Total operating income	60	111	92	105	94	76
Staff costs	(16)	(30)	(27)	(28)	(24)	(21)
Other operating expenses	(8)	(17)	(15)	(14)	(14)	(12)
Depreciation	(2)	(3)	(3)	(3)	(2)	(2)
Total operating expenses	(26)	(50)	(45)	(45)	(40)	(35)
Net Operating Income	34	60	47	60	55	42
Loan impairment charges and other credit risk provisions (net)	(13)	(27)	(23)	(19)	(20)	(12)
Net profit before tax	21	33	24	41	34	30
Income tax expense	(3)	(5)	(4)	(6)	(5)	(5)
Net profit for the period	18	28	20	34	29	25

Statement of Cash Flows

(RO million)

	June 2022 *	2021	2020	2019	2018	2017
Net cash (used in)/from operating activities	153	401	18	(131)	399	(124)
Net cash (used in)/from investing activities	(3)	(103)	(9)	(50)	(51)	(18)
Net cash (used in)/from financing activities	(21)	33	(25)	114	(17)	36
Cash and cash equivalents at beginning of period	593	262	278	345	14	120
Cash and cash equivalents at end of period	722	593	262	278	345	14

*Unaudited

**STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS
ENDED 30 JUNE 2022 (Unaudited)**

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve		Subordinated loans reserve	Impairment reserve	Retained earnings	Total Shareholders' Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1 January 2022	295,355	18,038	34,389	988	(2,181)		28,000	5,464	16,525	396,578	200,000	596,578
Profit for the period	-	-	-	-	-		-	-	18,465	18,465	-	18,465
Other comprehensive gains for the period	-	-	-	-	489		-	-	-	489	-	489
Total comprehensive income for the period	-	-	-	-	489		-	-	18,465	18,954	-	18,954
Dividends paid for the year 2021	-	-	-	-	-		-	-	(11,961)	(11,961)	-	(11,961)
Perpetual Tier 1 interest paid for the period	-	-	-	-	-		-	-	(7,563)	(7,563)	-	(7,563)
Balance as at 30 June 2022	295,355	18,038	34,389	988	(1,692)		28,000	5,464	15,466	396,008	200,000	596,008

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2021**

(RO'000)

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve		Subordinated loans reserve	Impairment reserve	Retained earnings	Total Shareholders' Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1 January 2021	245,355	18,038	30,520	988	(3,437)		21,000	5,464	13,774	331,702	200,000	531,702
Profit for the year	-	-	-	-	-		-	-	28,338	28,338	-	28,338
Other comprehensive income for the year	-	-	-	-	754		-	-	-	754	-	754
Total comprehensive income for the year	-	-	-	-	754		-	-	28,338	29,092		29,092
Issue of rights shares	50,000	-	-	-	-		-	-	-	50,000	-	50,000
Issue expenses – rights shares	-	-	1,034	-	-		-	-	-	1,034	-	1,034
Reclassification of net change in fair value of equity instruments upon de-recognition	-	-	-	-	502		-	-	(502)	-	-	-
Additional Tier 1 coupon paid during the period	-	-	-	-	-		-	-	(15,250)	(15,250)	-	(15,250)
Transfers	-	-	2,835	-	-		7,000	-	(9,835)	-	-	-
Balance as at 31 December 2021	295,355	18,038	34,389	988	(2,181)		28,000	5,464	16,525	396,578	200,000	596,578

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2020**

(RO'000)

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve		Subordinated loans reserve	Impairment reserve	Retained earnings	Total Shareholders' Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1 January 2020	236,360	19,942	28,519	988	(2,213)		14,000	-	38,513	336,109	200,000	536,109
Profit for the year	-	-	-	-	-		-	-	20,013	20,013	-	20,013
Other comprehensive loss for the year	-	-	-	-	(2,079)		-	-	-	(2,079)	-	(2,079)
Total comprehensive income for the year	-	-	-	-	(2,079)		-	-	20,013	17,934	-	17,934
Share premium transferred to share capital	1,904	(1,904)	-	-	-		-	-	-	-	-	-
Dividends paid for 2019	-	-	-	-	-		-	-	(7,091)	(7,091)	-	(7,091)
Issue of bonus shares for 2019	7,091	-	-	-	-		-	-	(7,091)	-	-	-
Additional Tier 1 coupon paid during the year	-	-	-	-	-		-	-	(15,250)	(15,250)	-	(15,250)
Reclassification of net change in fair value of equity instruments upon de-recognition	-	-	-	-	855		-	-	(855)	-	-	-
Provision for credit Impairment (BM1149)	-	-	-	-	-		-	5,464	(5,464)	-	-	-
Transfers	-	-	2,001	-	-		7,000	-	(9,001)	-	-	-
Balance as at 31 December 2020	245,355	18,038	30,520	988	(3,437)		21,000	5,464	13,774	331,702	200,000	531,702

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2019**

(RO'000)

	Share Capital	Share Premium	Legal Reserve	General Reserve	Fair Value Reserve		Subordinated Loans Reserve	Impairment reserve	Retained Earnings	Total Shareholder's Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1 January 2019	198,265	18,037	24,375	988	(2,124)		7,000		38,883	285,424	100,000	385,424
Profit for the year	-	-	-	-	-		-	-	34,406	34,406	-	34,406
Other comprehensive loss for the year	-	-	-	-	(749)		-	-	-	(749)	-	(749)
Total comprehensive income for the year	-	-	-	-	(749)		-	-	34,406	33,657	-	33,657
Issue of rights shares	38,095	-	-	-	-		-	-	-	38,095	-	38,095
Share premium received	-	1,905	-	-	-		-	-	-	1,905	-	1,905
Rights issue expenses (Note 22)	-	-	704	-	-		-	-	-	704	-	704
Issue of perpetual Tier 1 capital securities	-	-	-	-	-		-	-	-	-	100,000	100,000
Dividends paid for 2018	-	-	-	-	-		-	-	(11,896)	(11,896)	-	(11,896)
Additional Tier 1 coupon paid during the year	-	-	-	-	-		-	-	(11,531)	(11,531)	-	(11,531)
Issue expenses - Additional Tier 1 capital	-	-	-	-	-		-	-	(226)	(226)	-	(226)
Reclassification of net change in fair value of equity instruments upon de-recognition	-	-	-	-	683		-	-	(683)	-	-	-
Reclassification of fair value of debt instruments from FVOCI to investment securities	-	-	-	-	(23)		-	-	-	(23)	-	(23)
Transfers	-	-	3,440	-	-		7,000	-	(10,440)	-	-	-
Balance as at 31 December 2019	236,360	19,942	28,519	988	(2,213)		14,000	-	38,513	336,109	200,000	536,109

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

(RO'000)

	Share capital	Share pre- mium	Legal reserve	General reserve	Special reserve		Fair value reserve	Subordinated loans reserve	Retained earnings	Total Sharehold- ers' Equity	Perpetual Tier 1 Capital Securi- ties	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 Shareholder's 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 comprehensive income for the year	-	-	-	-	-	116	-	25,331	25,447	-	25,447
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

CHAPTER 8: RELATED PARTY TRANSACTIONS

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

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

(RO'000)

	30 June 2022 Unaudited	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Directors & Senior management					
Loans, advances and financings at end of year	3,503	3,505	2,476	2,661	2,330
Disbursed during the year	287	1,811	684	538	165
Repaid during the year	(245)	(394)	(357)	(364)	(304)
Deposits at end of year	1,302	1,671	1,575	1,387	985
Received during the year	1,162	1,299	1,492	614	410
Matured/paid during the year	(1,217)	(1,992)	(1,461)	(646)	(134)
Interest income during the year	65	120	104	102	99
Interest expense during the year	8	22	11	14	-
Directors' sitting fees and remuneration	526	198	198	190	184
Shari'ah Supervisory Board members	13	55	55	47	50
Other related parties					
Loans, advances and financing at end of year	67,738	71,947	69,125	36,727	84,058
Disbursed during the year	12,603	34,911	47,750	17,142	87,554
Repaid during the year	(1,108)	(3,486)	(8,829)	(6,468)	(4,462)
Deposits at end of year	9,258	14,895	17,991	7,004	7,963
Received during the year	2,754	6,726	12,893	6,589	8,207
Matured/paid during the year	(6,237)	(5,310)	(4,169)	(2,914)	(3,621)
Interest income during the year	1,807	3,856	3,199	3,207	2,405
Interest expense during the year	116	247	217	55	48

In the ordinary course of business, the Bank conducts transactions with certain of its key management personnel and companies in which they have a significant interest. The balances in respect of these related parties as at the reporting date are as follows:

(RO'000)

	30 June 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Key management personnel					
Loans, advances and financings at end of period	1,452	1,499	264	43	515
Deposits at end of the period	439	303	292	380	131
Interest Income during the period	23	22	13	2	21
Interest expense during the period	1	1	2	8	-
Salaries and other short term benefits	767	1,914	1,559	2,117	1,535
Post-employment benefits	32	34	42	24	116

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

	30 June 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Loans, advances and financing at end of period	6,208	7,896	6,495	8,454	4,000
Disbursed during the period	6,013	7,728	6,041	8,453	4,000
Repaid during the period	-	(311)	-	-	-
Deposits at end of period	228	52	144	2,001	2,395
Received during the period	176	1	143	1	2,009
Matured/paid during the period	-	(90)	-	(395)	(875)
Interest income during the period	189	427	499	236	42
Interest expense during the period	1	1	71	85	12

As at 30 June 2022, no loans to related parties are classified under stage 3.

CHAPTER 9: RISK FACTORS AND MITIGANTS

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

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

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

1 RISK FACTORS SPECIFIC TO THE BANK

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

The Bank's business has historically been focused on Oman and its results of operations are impacted by economic conditions in Oman which, in turn, may be affected by regional and global economic conditions. At 31 December 2021, almost all of the Bank's credit risk exposure was to counterparties located in the Middle East, principally in Oman. The Bank has recently commenced the establishment of a Branch operation in the Kingdom of Saudi Arabia (KSA), based in Riyadh which will expose the Bank to economic conditions in KSA.

According to the IMF's recent April 2022 World Economic Outlook, it is estimated that the global economy will slow from 6.1% in 2021 to 3.6% in 2022 and 2023. The economic damage from the conflict in Ukraine contributes to this slowdown in global growth in 2022 and adds to inflation. Commodity price increases and broadening price pressures have led to 2022 inflation projections of 5.7% in advanced economies and 8.7% in emerging market and developing economies. Businesses continue to struggle amidst an uncertain and highly volatile environment, with the impacts of the global pandemic underlying economic stress across all sectors of the economy. Multilateral efforts to respond to the impacts of the conflict in Ukraine, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change and end the pandemic are essential.

Oman has been no exception to the impact of the global pandemic however, recent increase in global oil prices in response to the conflict in Ukraine have played an important role in supporting Oman's economy. The Sultanate witnessed an expected deficit in the face of falling oil and gas prices, as preliminary data issued by the authorities indicate that the nominal GDP contracted by 3.9% in Q1/2020 (year on year); and non-oil activities contracted by over 6%. The Omani oil price averaged \$47.7 per barrel (against a budgeted oil price of \$58 per barrel) during the first eight months of 2020 which is lower by 26.3 percent over the corresponding period of last year. Fiscal and external deficits remained under strain due to low oil and gas prices.

Amidst a global crisis, the Sultanate implemented measures to curb the short term as well as long term impacts on the national economy. At the beginning of the year, we saw Oman embrace policies liberalising foreign investment, contributing to both productivity and growth in the domestic market. Providing the

required impetus towards the socio-economic diversification plans of the Sultanate. Moreover, key policy changes announced at the end of the year are expected to be implemented by the government in the next two years, positively affecting the business environment.

The roll-out of a 5% VAT in April 2021 has put the Sultanate on the world map for financial guidance prudence, as this move is expected to generate OMR 300 million (\$780 million) approximately, a touch over the one percent of the projected GDP of the Sultanate, within the first 12 months of implementation. It is encouraging to note that the oil prices steadily bouncing back since April 2020, coupled with the Government's proactive measures to contain budget deficit, augur well for 2021. The Fiscal Balance Plan seeks to boost government revenues to OMR 12.1 billion by 2024, and will help create the right conditions for Oman Vision 2040. This includes supporting economic growth through various sectoral initiatives; revitalising and diversifying government investment returns through a unified approach across all sectors; and by introducing new, and strengthening existing taxation policies at multiple levels. Rationalising and improving efficiency of government spending through a process of continuous review and reorientation is also a key pillar in this agenda.

The Oman Vision 2040 also emphasises on establishing and strengthening the social protection plan, by implementing measures across subsidies and taxation to help adapt to current financial and economic conditions. This will be supplemented by raising the efficiency of public financial management through modernisation and development of government systems and processes in order to strengthen existing capabilities.

Additionally, the recent announced 10th five-year plan (2020-2025) of Oman, is the first implementation plan of Oman Vision 2040 and will focus its efforts towards achieving economic diversification. The government authorities very well recognise the paramount importance of the nonhydrocarbon sector attaining a critical mass to reduce the economy's dependence on the hydrocarbon sector and ensure sustainable development over the medium to long run. Therefore, this plan has earmarked five sectors that have high growth potential and economic returns, namely, agriculture and fisheries, manufacturing, logistics and transport, energy and mining, and tourism.

If these economic and diversification growth plans are slow to supplement any drop in returns from the hydrocarbon sector, this will likely have an 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 and the impacts of the Covid-19 pandemic have a negative impact on the government's spending, this could affect the Bank's financial condition indirectly through its impact on the oil and gas, banking, trade, construction, real estate and tourism sectors in particular. Further, any reduction in Oman's revenues would reduce the likelihood and/or extent of government financial support being available to Omani banks, including the Bank, should such support be needed in the future.

Mitigant: Relatively improved crude oil prices, ongoing fiscal reforms, global vaccine rollout to address the impacts of the Covid-19 pandemic 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 30 June 2022 amounted to 29.56% of its total customer loan, advances and financing and the Bank's top 10 customer loan exposures at 30 June 2022 amounted to 20.20% 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 30 June 2022, the Bank had provided expected credit losses allowances amounting to RO 145 million and carried total impairment allowances of RO 112 million on its loans and advances compared to total impairment allowances of RO 118 million at 30 June 2021. 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 30 June 2022 were 148 million (30 June 2021 non-performing loans were 168 million) 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

The Bank's customer deposits constituted 68.16% of its total liabilities at 30 June 2022 and 66.00% of its customer deposits at 30 June 2021 had been accepted from Omani counterparties. At 30 June 2022, the Bank's top 20 customer deposits constituted 50.38% of its total customer deposits and its top 10 customer deposits constituted 36.08% of its total deposits.

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

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

The Bank's non-performing loans (NPLs, defined as loans in respect of which payments of interest, principal or other amounts are more than 90 days in arrear) were RO 148 million at 30 June 2022 compared to RO 168 million at 30 June 2021 and RO 149 million at 30 June 2020. The Bank's NPL ratio (defined as the ratio of NPLs to total gross customer loans, advances and financing) amounted to 5.14% at 30 June 2022 compared to 6.28% at 30 June 2021 and 5.82% at 30 June 2020.



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.

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. However, Credit Risk Management Function of the Bank has robust policies and assessment mechanism to overcome the above limitations. Further, Bank has maintains substantial amount of overlays which are in line with local regulatory and internationally followed best practices in terms of governance.

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 face substantial delays while undergoing legal proceedings in the 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." Regarding SME lending Bank has revamped Lending Policy and SME product program has been scrapped. Presently all SME exposure are getting appraised similar to corporate proposals with detailed credit due-diligence and internal rating obligor rating.

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

Mitigant: At 30 June 2022 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 95.4 % 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 30 June 2022, the Bank had RO 859 million in such contingent liabilities outstanding, equal to 23.02% 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 2 or 3 years.

Against the backdrop of constraints on liquidity and the volatile and high cost of funding in the interbank market and given the high level of interdependence between financial institutions, 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. 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 monitors stable long term liquidity through its regulatory NSFR ratio. The Bank continues to focus on CASA growth as a source of stable long-term funding leveraging the strength of its Retail and Corporate franchise. Customer diversification aims to augment this strategy. In addition, there is a strong focus on managing liquidity through well maintained buffers of HQLA, complying with both internal levels and those mandated by CBO. The Bank is pro-active in its forecasting of future funding needs and has demonstrated historically its ability to secure committed funding lines and term debt if required.

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.

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 30 June 2022, approximately 51.9% 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 76.8% had remaining maturities of one year or less or was payable on demand. In addition, the Bank is reliant on certain large deposits from a limited group of government-related and private sector corporate customers. See Risk Factor 1.3 above.

If a substantial portion of the Bank's depositors withdraw their demand deposits or do not roll over their time deposits at maturity, the Bank may need to seek other sources of funding or may have to sell assets to meet its funding requirements. There can be no assurance that the Bank will be able to obtain additional funding as and when required or at prices that will not affect the Bank's ability to compete effectively and, if the Bank is forced to sell assets to meet its funding requirements, it may suffer material losses as a result. In extreme cases, if the Bank is unable to refinance or replace such deposits with alternative sources of funding to meet its liquidity needs, through deposits, the interbank markets, the international capital markets or through asset sales, this would have a material adverse effect on the Bank's business and prospects and could, potentially, result in its insolvency.

Mitigant: The Bank has established diversified clientele base spread across different types of customers, network of relations with other banks, both locally and internationally, to mitigate this risk. Furthermore, the Bank maintains liquid assets at levels above regulatory required mandates of LCR to ensure that liquidity 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, besides being governed by local central bank regulations with respect to LCR. 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 MSX.

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 B+ with a Stable outlook from Fitch and Ba+ with a stable outlook from Moody's. These ratings are intended to measure the Bank's ability to meet its debt obligations as they mature, and are an important factor in determining the Bank's cost of funding.

Both rating agencies expressly note that the sizeable direct and indirect government shareholding in the bank is a significant factor supporting the rating. On 16 March 2020, Fitch downgraded the ratings/outlook of a number of Omani banks, including the Bank, on the basis of its view that the Omani government's ability to support the banking system had weakened, principally as a result of the low oil prices.

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

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

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

Mitigant: The last rating action on the Bank from Moody's was on 18 October 2021 affirming Ba3 with stable outlook (previously Ba3 negative outlook). The last rating action on the Bank from Fitch was on 22 February 2022 affirming B+ with stable outlook (previously B+ negative outlook). On 15 August 2022 Fitch upgraded the Oman Sovereign rating to BB with stable outlook (previously BB- stable outlook). The impact of this positive action, if any, on Omani Banks is yet to be announced.

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 currently has 8 listed Banks, dominated by 1 Bank with circa 36% of total assets and the next three largest Banks, including the Bank, representing combined total assets of circa 35%. As at 30 June 2022, the Bank was the third largest bank in Oman by total assets. 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. The Bank is currently in merger discussions with Bank Nizwa SAOG and HSBC Bank Oman SAOG as announced to the market on 23 November 2021 and 16 June 2022 respectively.

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 has established itself as a leading and transformational Bank in Oman.

1.13 The Bank's financial condition and results of operations could be adversely affected by executing and integrating its proposed merger transactions

Merger discussions with Bank Nizwa SAOG and HSBC Bank Oman SAOG were announced to the market on 23 November 2021 and 16 June 2022 respectively. The mergers are in very early stages, the outcomes of which are uncertain and subject to regulatory, board and shareholder approvals. In the event that all required approvals are obtained there are inherent risks in successfully achieving the synergies and benefits for the Bank and its shareholders, particularly resulting from mergers of this size. Such risks include, and are not restricted to, inadequate due diligence, overpayment for the merged entity, overestimating or failure to capture synergies, integration shortfalls, culture change, unforeseen market disruption.

Mitigant: The Bank's management and advisory strength led by an exceptional Board of Directors will ensure the highest levels of due diligence, realisation of benefits to shareholders and minimisation of integration risk.

1.14 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 are dynamic, influenced by macroeconomic factors and the Bank's ability to raise liquidity at reasonable and competitive rates. This is coupled with the type of customers the bank relies upon for funding, customer's trust in the bank, and efficient pricing of the products. The Bank has a pro-active ALCO which considers interest rate risk, ensuring smooth liquidity management, market risk management, and 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.

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.

1.15 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.



1.16 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 framework involving Board oversight through policies, Board level Committees, Management Committees and independent Risk Management Department. This ensures that the known risks are mitigated effectively. The Bank maintains adequate regulatory capital and insurance policies which cover, within limits, unforeseen business related risk including fraud.

1.17 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:

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

1.18 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 30 June 2022, 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 17.19% and 17.39%, compared to the CBO's requirements of a minimum Tier 1 Capital Adequacy Ratio of 10.25% and a minimum Total Capital Adequacy Ratio of 12.250%.

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, or reduce its risk weighted assets, as a result of potentially adverse credit ratings and resultant market perception. The Bank has taken full Capital Conversion Buffer in order to comply with the regulatory required total capital adequacy ratio of 12.25%.

There is a risk that additional capital, whether in the form of debt financing or additional equity, may not be available on a timely or on commercially favourable terms, or may not be available 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.

The Bank announced on 16 June 2022, subject to regulatory and Shareholder approval, a Rights Issue of OMR 160 million and a Tier 1 Perpetual Capital Securities issue of OMR 50 million with a green-shoe option of OMR 25 million. Both these transactions may be unsuccessful, in whole or in part, depending on market conditions and shareholder participation.

Mitigant: The Bank analyses capital requirement on a monthly basis taking into consideration both current performance and strategic growth initiatives. The Bank's capital planning initiatives are discussed regularly with the Board of Directors who represent the shareholders. Successful achievement of Rights issue and Tier 1 Securities will be facilitated through the Bank's pro-active engagement with shareholders and investors.

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

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

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

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

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

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



incurred in the event of the loss of any member of its key personnel.

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

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

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

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

A variety of factors could affect the ultimate value that is obtained either when earning income, 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.

1.22 The Bank could have a dividend restriction event

The Bank has issued various perpetual subordinated bonds – AT1 capital instruments ("Securities"). If interest on the Securities is not paid as a consequence of a "Non-Payment Event" or a "Non-Payment Election", then from the date of such Non-Payment Event or Non-Payment Election (the "Dividend Stopper Date") the Bank will not, so long as any of the Securities is outstanding, declare nor 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 the Shares.

The Securities rank in priority to the Shares (any accordingly will rank in priority to the Offer Shares).

Dividend payments recommended by the Board of Directors are subject to approval by the CBO and CBO may at its discretion advise the Bank to amend any proposed dividend.

Mitigant: The Bank has met the interest payments to date on the Securities and expects to continue servicing these as scheduled.

1.23 The Bank could have a dividend restriction event

The Bank may not comply with VAT regulations given inadequate systems or interpretation of Vat law. Non-compliance may give rise to regulatory penalties and reputational risk

Mitigant: The Bank has implemented leading VAT systems and internal controls. The Bank is not aware of any compliance issues and continues to engage, both directly and through the Oman Bankers Association, with the tax authorities to ensure compliance with VAT in all material and practical respects

2 RISKS RELATING TO OMAN

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

Oman and many of the GCC countries are in various stages of developing their legal and regulatory institutions that are characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner. As the legal environment remains subject to continuous development, investors in Oman may face uncertainty as to the security of their investments. Any unexpected changes in the legal system in Oman may have a material adverse effect on the investments that the Bank has made or may make in the future.

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

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

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

CHAPTER 10: CORPORATE GOVERNANCE

1. PHILOSOPHY ON CORPORATE GOVERNANCE

The Corporate Governance Philosophy in the Bank has been developed within the directives and guidelines of the Central Bank of Oman ("CBO"), the Capital Market Authority ("CMA") and the Commercial Companies Law of Oman ("CCL"). The four universal values synonymous with corporate governance – accountability, fairness, responsibility and transparency are an integral part of it.

Corporate governance is a set of processes, customs, policies, laws and practices affecting the manner in which the organization – namely the Bank is directed, administered or controlled. Corporate governance also covers the relationships between the many parties or stakeholders involved in the Bank and the aims and objectives for which the Bank is governed. The principal relationships at the Bank are between the shareholders of the Bank, the management and the Board of Directors. Other relationships include the customers, employees of the Bank, regulators, suppliers, the environment and the community in which the Bank exists. An additional aspect of governance is that of an economic efficiency view, through which the governance system of the Bank also aims to optimize economic results, thereby placing emphasis on the shareholder's welfare.

The Board of Directors of the Bank is committed to the highest standards of Corporate Governance. The Bank is committed to raising the bar even further so as to set a leading example of commitment with the letter and spirit of the Code of Corporate Governance laid out by the CMA and the regulations for Corporate Governance of Banking and Financial Institutions issued by CBO. The CMA Code of Corporate Governance for Public Listed Companies and the CBO circular BM 932, Corporate Governance of Banking and Financial Institutions are the principal codes and drivers of Corporate Governance practices in the Sultanate of Oman. The Bank has complied with all of their provisions, except for certain instances which are stated in the 'Statement of Compliance' section of this report. The CMA Code of Corporate Governance can be found at the following website www.cma.gov.om.

The basic framework of the Bank's corporate governance requires that the Board of Directors, Shari'ah 'Supervisory Board ("SSB") for its Islamic Banking Window (Sohar Islamic) and management shall:

- Maintain the highest standards of corporate governance and regulatory compliance.
- Promote transparency, accountability, responsiveness and social responsibility.
- Conduct its affairs with its stakeholders, customers, employees, investors, vendors, government and the society at large in fairness and in an open manner.
- Create an image of the Bank as a legally and ethically compliant entity.

2. BOARD OF DIRECTORS

The Bank's Board of Directors (the "Board") is the highest governing authority within the Bank structure. Its role is to ensure that the Bank conducts itself in accordance with its core values and develops them further on a continuous and sustainable basis. The Board consists of professionals from various fields and professions and gives representation to the stakeholders and administrators in the process of decision making. The predominance of independent directors has enabled the Board to have meaningful discussions and take an unbiased and qualitative view on matters placed before it. There is a clear segregation between the ownership of the Bank and the management. The roles of the Chairman of the Board and the Chief Executive Officer ("CEO") are separated with a clear division of responsibilities at the head of the Bank between the running of the Board and the executive management responsibility for running the Bank's business. The Board is responsible for overseeing how management serves the long-term interests of shareholders and other key stakeholders.

2.1 Composition and classification of the Board

The constitution of the Board, election process for Board members and shareholders' interests are areas of prime concern for the good governance commitment of the Bank. Details of the elected Board members are outlined below:

Composition and classification of the Board

Name of Director	Category	Represents
Mr. Mohamed Mahfoodh Al Ardhi, Chairman	Non-Executive	Independent
Mr. Said Mohamed Al-Aufi Deputy Chairman	Non-Executive	Independent
Mr. Salim Mohamed Masaud Al Mashaikhi	Non-Executive	Independent
Mr. Said Ahmed Safrar	Non-Executive	Independent
Engr. Ahmed Hamed Al Subhi ¹	Non-Executive	Non- Independent
Mr. Ahmed Said Al Mashani ²	Non-Executive	Non- Independent
Mr. Tareq Mohamed Al Mugheiry	Non-Executive	Independent
Mr. Bipin Dharamsey Nensey	Non-Executive	Independent

2.2 Profile of Directors

Mr. Mohamed Mahfoodh Al Ardhi - Chairman

Al Ardhi joined the 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.

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 the Bank, he also holds the position of the Chairman of the Executive, Nomination and Remuneration committee (ENRC).

¹ Was a director until the 31st of March 2022.
² Appointed on the 31st of March 2022.

Mr. Said Mohamed Al-Aufi – Deputy Chairman

Mr. Al-Aufi is Acting CEO at Mars Development and Investment "MDI", and he is responsible for managing a multi-asset class portfolio in the financial services, Fintech, technology and commodities sectors. Before joining MDI, Mr. Said worked in the Asset Allocation and Business Strategy team in the State General Reserve Fund (SGRF).

Mr. Said Al-Aufi has a Double Degree in Commercial Law & Banking and Finance from Monash University in Australia, he is a Chartered Financial Analyst "CFA" and Chartered Alternative Investment Analyst "CAIA". He has also completed several executive management programs in the areas of executive leadership, Block chain, Cryptocurrency, Fintech, Artificial Intelligence, Internet of Things (IOT) and Venture Capital. Mr. Al-Aufi is a member of the Board of Oman Future Telecommunication SAOC and the Board of Oman Broadband Company SAOC.

Mr. Said Ahmed Safrar – Director

Mr. Said Safrar is the Chief Executive Officer in Oman Investment & Finance Company Co. SAOG. He holds a Master in Business Administration (MBA) from the University of Hull in the UK, Senior Executive Leadership Program from Harvard Business School in the USA, has more than 27 years of professional experience in Banking, Telecom, Investment and Services sectors. He was the Chief Customer Experience Officer with Omani Qatari Telecommunications Company SAOG "Ooredoo" before joining OIFC. He is a board member at the Bank, Financial Corporation Co SAOG, Taageer Finance Company SAOG, Dhofar Generating Company SAOG, Wasel Exchange SAOC and Mazoon first Fund.

In addition to his role as a member of the Bank's Board of Directors, Mr. Said Safrar is also the Chairman of the Credit Approval Committee (CAC) and member of Executive, Nomination and Remuneration committee (ENRC).

Mr. Salim Mohamed Masaud Al Mashaikhi – Director

Mr. Salim Mohamed Masaud Al Mashaikhi Holds a Bachelor's Degree in Mathematics, he is currently employed in the Expenditure Department of the Royal Court Affairs. Mr. Salim Al Mashaikhi is the Deputy Chairman of Oman Fixed Income Fund (OMFI). Mr. Salim Al Mashaikhi is the Chairman of the Board Risk Committee (BRC), and a member of the Board Audit Committee.

Engr. Ahmed Hamed Al Subhi – Director

Engr. Ahmed Hamed Al Subhi is the Chief Executive Officer of ACWA Power Barka SAOG. Engr. Ahmed Hamed Al Subhi holds an MBA from the University of Strathclyde, two Post Graduate Diplomas in Engineering and Honours Degree in Electrical Power engineering. Engr. Ahmed Al Subhi is widely recognized in the power generation and desalination industry. He has been actively involved in developing and implementing of Mega Independent Power and Desalination Project and other such projects in the region. Ahmed has been involved in many transformations and restructuring of private companies based in his solid operational experience working with many multinational organizations.

Currently, he is the Chairman and member of Board of Directors of few listed Companies in Muscat Stock Exchange. In addition to his role as a member of the Bank's Board of Directors, Engr. Ahmed Al Subhi is also the Chairman of the Board Risk Committee (BRC) and member of the Board Audit Committee.

Mr. Ahmed Said Mustahil Al Mashani – Director

Mr. Ahmed Al Mashani holds a Bachelor's Degree in Business Administration from Staffordshire University. He works in Muscat Overseas Group which provides services in the scope of investments, industrial, education, mining, real estate, media, and agricultural. He was a previous board member of the Financial Center, and he is currently a board member in Oman Investment and Finance Company, and Wasel Exchange, besides his work in the Governmental sector. He is a member of the Board Audit Committee and the Board Risk Committee.



Mr. Tareq Mohamed Al Mugheiry – Director

Mr. 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 (LLB) and Bachelor of Commerce (B. Com) 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.

Mr. Tareq Al Mugheiry is a member of the Credit Approval Committee (CAC), and the Executive, Nomination and Remuneration committee (ENRC).

Mr. Bipin Dharamsey Nensey - Director

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

2.3 Board of Directors – Executive Powers

The Bank’s Board of Directors:

- Is vested with the powers of general superintendence, direction and management of the affairs and business of the Bank.
- Has the ultimate responsibility for the overall compliance and management of the Bank
- Guides the Bank to achieve its objectives in a prudent and efficient manner.
- Is primarily responsible for ensuring that all financial transactions are legal and that all disclosures are made as per regulations.
- Lays down a comprehensive code of conduct for all Board Members and Senior Management of the Bank, to be followed under all circumstances.
- Approves the delegation of power to the executive management as well as nominee members of the sub-committees and specify their roles, responsibilities and power.
- Authorises the management to implement the strategy for the Bank that is designed to deliver increasing value to the shareholders.
- Develops strategies for managing risks associated with the business and for meeting challenges posed by competitors.
- Develops vision to anticipate crisis and to act proactively when necessary.
- Ensures that information flows upward and that authority flow downward and thus the Bank is under their control, direction and superintendence.

During the year under review, the Board has:

- Reviewed and approved the Bank’s financial objective, plans and actions.
- Reviewed the Bank’s performance.
- Evaluated whether the business is properly managed according to the Bank’s objectives.
- Ensured compliance with laws and regulations through proper internal systems of controls.



- Reviewed the efficiency and adequacy of the internal control systems and confirmed its compliance with internal rules and regulations

The Board of Directors has approved the Code of Conduct, including the Standards of Professional Conduct, which covers the standards of conduct expected from the directors and the Senior Management of the Bank. The purpose of this code is to articulate highest standards of honesty, integrity, ethical and law abiding behaviour.

The Board has approved the three quarterly reports and the annual financial statements and report to the shareholders on the annual report about the ongoing concern status of the Bank with supporting assumptions and qualifications as necessary.

The Board has taken steps to comply with rules, regulations and international best practice, reviewed compliance reports prepared by the Bank’s management of all applicable provisions of the law.

The Bank’s Board of Directors has exercised all such powers and performed all such acts as the Board is authorized to exercise and do.

The Bank prepares a Management Discussion and Analysis report which is included as a separate section in the Annual Report.

2.4 Meetings and Remuneration of the Board

The Board of Directors meets regularly, monitors the executive management, and exercises necessary control over the Bank’s functioning. The Board conducts its business in formal meetings. In Board meetings, the “majority” is computed as the absolute majority of the directors present in person or proxy, whether or not they participate in the voting process.

The number of meetings of the full Board during the year 2022 as at 27 July 2022 is 5. The maximum interval between any two meetings in compliance with Article 189 of the Commercial Companies Law, which requires meetings to be held within a maximum time gap of 120 days. The dates of the meetings of the Board of Directors during year 2022 were as follows:

Board Meetings held in 2022 and dates on which they were held

Name of Director	Jan 30	March 31	April 20	April 28	June 15
Mr. Mohamed Mahfoodh Al Ardhi	✓	✓	✓	-	✓
Mr. Said Al-Aufi	✓	✓	✓	✓	✓
Mr. Salim Al Mashaikhi	✓	✓	✓	✓	✓
Mr. Said Ahmed Safrar	✓	✓	✓	✓	✓
Eng. Ahmed Al Subhi	✓	-	-	-	-
Mr. Ahmed Al Mashani		✓	✓	✓	✓
Mr. Tareq Al Mugheiry	✓	✓	✓	-	✓
Mr. Bipin Dharamsey Nensey	✓	✓	✓	✓	✓

Sitting fee remuneration is paid to the Directors for attending the Board or its sub-committee meetings. The fee is within the limits stipulated by the Commercial Companies Law and the directives of the Capital Markets Authority.

An amount of RO **150,000** was paid in 2022 as board remuneration for the year ended 31st, December

2021. The remuneration paid was within the limit prescribed under applicable laws and regulations.

Sitting fees paid to Directors during 2021 is given below:

Attendance & Remuneration – Board of Directors

156,600 was paid in 2020 as board remuneration for the year ended 31st, December 2021. The remuneration paid was within the limit prescribed by the commercial law No. (4/1974) as amended by Royal Decree No. (99/2005).

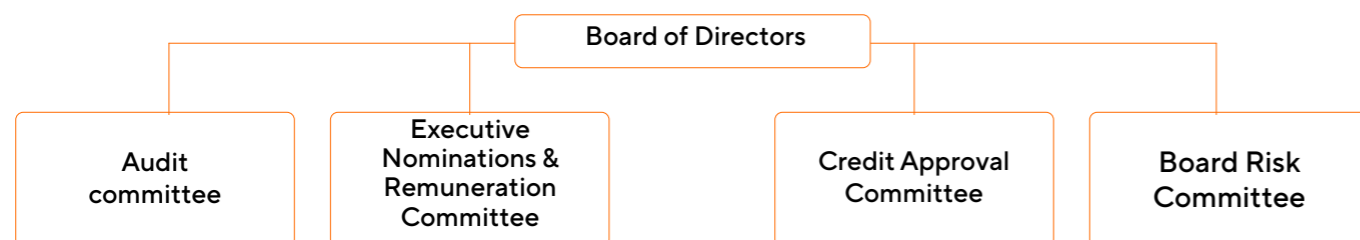
Sitting fees paid to Directors during 2020 is given below:

Sl. No	Name	Sitting fees paid during 2021
1	Mr. Mohamed Mahfoodh Al Ardhi	5,100 OMR
2	Mr. Said Mohamed Al-Aufi	9,200 OMR
3	Mr. Salim Mohamed Al Mashaikhi	6,800 OMR
4	Mr. Said Ahmed Safrar	7,600 OMR
5	Eng. Ahmed Hamed Al Subhi	6,800 OMR
6	Mr. Tareq Mohamed Al Mugheiry	7,600 OMR
7	Mr. Bipin Dharamsey Nensey	5,200 OMR
	Total	48,300 OMR

2.5 Committees of the Board

The Board of Directors 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. The subcommittees and their primary responsibilities were as follows:

The Corporate Governance Structure of Sohar International Bank SAOG is depicted below:



Board Sub-Committees meetings held in 2020 / number of meetings attended

Table 3: Board Sub-Committees meetings held in 2021 / Number of meetings attended

Name of Director	Executive, Nomination & Remuneration Committee (ENRC)	Audit Committee (AC)	Credit Approval Committee (CAC)	Board Risk Committee (BRC)	Attendance of AGM - March 2021
Mr. Mohamed Al Ardhi	4	-	-	-	Present
Mr. Said Al-Aufi	6	4	-	3	Present
Mr. Salim Mohamed Al Mashaikhi	-	4	-	3	Present
Mr. Said Ahmed Safrar	6	-	3	-	Present
Mr. Ahmed Al Subhi	-	4	-	3	Present
Mr. Tareq Al Mugheiry	6	-	3	-	Present
Mr. Bipin Dharamsey Nensey	-	-	3	-	Present

2.5a Executive Nomination & Remuneration Committee

The Board Executive, Nomination and Remuneration Committee ("ENRC") is a sub-committee of the Board of directors and, as such, 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 a detailed study and analysis. (2) HR, Nomination and Remuneration issues such as to provide direction and guidance to have the right CEO and Senior Management team and provide support and direction to the Bank and its stakeholders and ensure their interests are protected, etc.

2.5b 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 and structure of Internal Audit and Compliance Departments. The Committee also holds discussions with the internal auditors / external auditors on significant finding on the control environment.

The role of Head of Internal Audit is to provide reasonable assurance that the management control framework used within the Bank is operating effectively. The role of Head of Compliance is to ensure that the Bank complies with all the Laws, rules and regulations as applicable under the regulatory framework in Sultanate of Oman and international best practice. Both heads report directly to the Audit committee of the Board.

2.6c Credit Approval Committee

The Board Credit Approval Committee (CAC) is a sub-committee of the Board of Directors and as such approves loans which are above the lending mandate of Executive Credit Committee (ECC) of the management, reviewing credit product policies, credit policy, credit portfolio and existing credit facilities on annual basis.

2.6d Board Risk Committee

The Board Risk Committee (BRC) 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.

3. SHARI'AH SUPERVISORY BOARD OF SOHAR ISLAMIC (Islamic Banking Window of Sohar International Bank SAOG)

Shari'ah Supervisory Board of Sohar Islamic (Islamic Banking Window of Sohar International)

Biography of Shari'ah Supervisory Board:

Sheikh Al-Mu'tasim Said Al Maawali (Member from June 2020)

Al-Mu'tasim Said Al-Maawali is a religious supervisor working for The Omani Studies Centre at Sultan Qaboos University. He holds an MA degree in Islamic Studies from the University of Birmingham, 2016. Al-Mu'tasim authored a seven-volume series in Islamic Jurisprudence called al-Mu'tamad, including the sixth volume in Islamic Financial Transactions, and the seventh in Islamic Banking. In 2016, he published his English book Articles on Ibāi Studies. In February 2017, he published his translation of the first volume 'The Reliable Jurisprudence of Prayer' from Arabic into English. In 2019, he also translated 'Christians in Oman' from English into Arabic. Al-Mu'tasim presented some academic papers at some international conferences in Islamic Studies, including TIMES 2017 at Birmingham University and BRISMES 2018 at King's College London, and BRISMES 2019 at the University of Leeds.

Sheikh Fahad Mohamed Hilal Al Khalili (Non-Voting Member)

Sheikh Fahad graduated from the Florida Atlantic University USA after which he joined the Central Bank of Oman (CBO), where he was part of Treasury and Investment Division. Thereafter, Sheikh Fahad joined Al Madina Investment where he quickly became the Deputy General Manager of Investment Banking. 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.

Shari'ah Supervisory Board attendance & remuneration for 2021

Members Name	28-Jan-2021	11-Feb-2021	9-Jun-2021	6-Oct-2021	Attended	Meeting allowance in USD	Annual remuneration received by members in USD
Sheikh Azzan bin Nasser Al Amri	√	√	√	√	4	4,000	44,044
Dr. Mudassir Siddiqui	√	√	√	√	4	4,000	34,034
Sheikh Fahad Mohamed Al Khalili	√	√	√	√	4	4,000	24,024
Sheikh Al Muatasim Said Al Maawali	√	√	√	√	4	2,000	24,024

* Sheikh Azzan bin Nasser Al Amri & Dr. Mudassir Siddiqui membership ended from Shari'ah Supervisory Board, their last day was on Dec 2021.

4. MANAGEMENT TEAM

The management of the Bank has been entrusted by the Board to a Management Team. The top management team has over 200 years of banking expertise between them. The top management keeps the Board of Directors informed on all issues concerning the operations of the Bank and takes directions from the Board on matters that concern and affect the business of the Bank and the objectives it should pursue. In the interest of good governance, the top management places all the key information before the Board, where it forms part of the agenda papers.

4.1 Profile Senior Management Team

Mr. Ahmed Jafar Al Musalmi Chief Executive Officer

Mr Ahmed Al Musalmi joined the Bank in May 2018 as the Chief Executive Officer. He has been a catalyst in the bank's transformation and a proven leader who combines business vision and people skills. Mr Musalmi has more than two decades of experience. He is a results oriented and strategic thinker with extensive industry and functional expertise that includes Wholesale Banking, Capital Markets, Retail Banking and Wealth Management, Trade Finance, Risk Management, Operations Management, Information Technology, Human Resources, Finance and Strategy Development & Business Planning.

Mr Al Musalmi is a talented leader who uses keen analysis & insights, and team approach to drive organizational performance and motivate employees to peak performance. He held leadership positions and has worked across several national and international financial institutions in his career. He was the CEO and successfully led transformation of National Bank of Oman prior to his move to the Bank.

Mr Al Musalmi is a graduate of Harvard Business School and holds an MBA degree with distinction from the University of Bedfordshire, UK. He also holds an International Diploma in Financial Services. Mr Al Musalmi is a Chartered Market Analyst with Financial Analyst Designate, a Chartered Portfolio Manager and a Chartered Wealth Manager to add on to his wealth of expertise. He is a fellow of the American Academy of Financial Management and has been a part of several advanced programs including in IMD-Switzerland and Stanford Graduate School of Business-USA.

Mr. Al Musalmi is the Deputy Chairman of ASYAD Group and Chairman of its Board Audit Committee. He is also a board member of the College of Banking and Financial studies' board.

Mr. Khalil Salim Al Hedaifi Chief Retail Banking Officer

Mr. Khalil joined the Bank in October 2018 as the Chief Retail Banking Officer. One of his key responsibilities is to develop the bank's business franchise. With over 19 years of experience, Mr. Khalil is a dynamic leader with pioneering experience in achieving business growth objectives in mid-sized as well as large, established organizations. His vast experience brings him expertise in banking business in general and in areas of Retail Banking, Wealth Management, Strategic Planning, Product Management, and People Management. He started his career in the year 2000 with a local bank in Oman and has worked with other national and international banks in Oman and Qatar throughout his professional life before joining the Bank as the Retail Banking Division Head.

Mr. Khalil holds an MBA degree from Northampton University and has received an Administration Certificate from Oxford Cambridge and RSA.

Mr. Craig Barrington Bell Chief Financial Officer

Mr. Craig Barrington Bell joined the Bank 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 the Bank, 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.



Mr. Manish Dhameja
Chief Wholesale Banking Officer

Mr. Manish is a seasoned banking professional with over 23 years of working experience, during which he worked in UAE, Africa & across various cities in India. He is an Engineer, MBA & CFA. He has joined from Standard Chartered Bank, where he held multiple leadership roles and led many businesses & large teams. Mr. Manish strength lies in establishing and growing new and large businesses, improve business profitability, client connections & team engagement.

Mr. Abdul Wahid Al Murshidi
Chief Islamic Officer

Mr. Abdul Wahid has been associated with the Banks since July 2019. Coming with over 18 years of professional experience across different functions of the Banking sector including Audit, Finance, Investment, and Islamic Banking. Prior to his role in the Bank, he was the Deputy General Manager at one of the prominent local Islamic banks.

Mr. Abdul Wahid holds an EMBA degree from London Business School and has completed his Bachelors in Science from Sultan Qaboos University (SQU).

Mr. Hamood Al Sawai
Chief Operations Officer

Mr. Hamood Al Sawai joined the Bank in December 2021 as Chief Operations Officer. With over 22 years of experience, Mr. Hamood is an experienced banker with vast knowledge and expertise in field of Operations.

Prior to joining the Bank, Mr. Hamood was the Deputy General Manager at one of the prominent local banks and has made notable contributions in conceptualizing and implementing robust strategies to enhance operational efficiencies. He is a knowledgeable leader with rich experience who combines the values of the business & technical expertise, with his personal integrity and commitment.

Mr. Hamood holds an MBA degree from Bedfordshire University and has completed his bachelor's in finance & Investment from Cairo University.

Mr. Ewan John MacLeod
Chief Transformation Officer

Mr. MacLeod joined the Bank on February 2020 as Chief Transformation Officer. With over 24 years of experience in leading digital transformation in large global banks and organisations, Mr. MacLeod complements the Executive Management Team in driving the Bank's transformation & digitization agenda. His wealth of experience includes strategy, delivery and prioritization of digital transformation capable of supporting users and transactions, thereby adding value for the Bank's stakeholders.

Prior to joining the Bank, Mr. MacLeod played key leadership positions in several international organizations such as Nordea Bank AB in Denmark and Royal Bank of Scotland. He is a seasoned corporate entrepreneur, and holds a Bachelor of Science degree in Information Management from University College London.

Mr. Elsamawal Abdulhadi Mohammed
Chief Legal Officer

Mr. Elsamawal joined the Bank in July 2013, and holds the position of Chief Legal Officer & Board Secretary in the bank. With over 18 years of experience in the legal profession during which he helped organizations and clients doing to business in a legal and compliant way and was able to prove himself consistently in major transactions and disputes. He is signaled out by legal directories as an individual with exceptional understanding of Oman's banking system and commended for his wide-reaching initiatives to improve efficiency and performance in his function.

Mr. Elsamawal, holds Master's degree 'LLM' and Bachelor's degree 'LLB' in the field of law from the University of Khartoum, Sudan.



Mr. Khalid Khalfan Al Subhi
Chief Compliance Officer

Mr. Khalid joined the Bank in December 2016. He has over 19 years of extensive experience as a Central Banker in various domains like Banking, Insurance and administration. His experience and responsibilities included conducting risk based examinations/audits, corporate governance, Capital adequacy, various business processes, control framework, and much more.

Mr. Khalid holds a Bachelor's degree in Banking and Financial Sciences (CBFS) from the Arab Academy for Banking and Financial Sciences, and has completed his Higher Diploma in Administrative Procedures from the South Devon College, UK.

Mr. Hamood Khalfan Badar Al Aisri
Chief Internal Auditor

Mr. Hamood is a qualified Chartered Certified Accountant with over 25 years of professional experience across different functions of the Banking sector. He has been associated with the Bank since December 2020 and prior to his current role in the Bank, he was Chief Internal Auditor in one of the local banks.

Mr. Hamood holds Senior Leadership qualification from London Business School, and Islamic Financial qualification from Chartered Institute of Investment & Security - UK.

Mr. Majid Nasser Al Busaidi
Chief Risk Officer

Mr. Majid joined the Bank in November 2020 as Chief Risk Officer. He has over 17 years of professional experience across different functions of the Banking sector. His experiences and responsibilities include, developing risk management strategies, overseeing and assessing the bank's risk mitigations both internally and externally, and reporting to the Board of Directors. Prior to his role in the Bank, he was heading the Division of Credit Review in a popular Omani bank.

Mr. Majid holds a Bachelor Degree in Finance from College of Economy and Political Studies at Sultan Qaboos University (SQU).

Ms. Mahira Saleh Abdul Nabi Al-Raisi
Chief Human Resources Officer

Ms. Mahira joined the Bank in October 2007, and currently holds the Chief Human Resources Officer role. With an extensive experience of over 21 years in managing Human Resources in the Banking sector, she has supported the achievement of the Bank's strategy successfully through the deployment of the best Human Capital Management Policies & Practices in line with the Bank's strategic Objectives. Responsible for developing and executing Human Resource Strategy in support of the overall business plans, specifically in the areas of talent acquisition, talent Management, succession planning, change management, Organizational & Performance Management, capability development and total rewards.

Ms. Mahira holds a Bachelors Degree and Diploma in Human Resources Management & Development from University of Leicester-UK. She also holds a Post Graduate Diploma in Management from Institute of Leadership & Management and Leading Strategy Execution Certificate in Financial Services from Harvard Business.

Ms. Mahira Al Raisi is the Deputy Chairman of Human Resources Committee of Oman Banker's Association. She is also a member of College Advisory Committee in College of Banking and Financial Studies in Oman.

4.2 Remuneration of senior managers for the year 2021

The total remuneration paid/accrued to the top seven (7) management executives of the Bank for the year 2021 was Rial Omani 1,948,000/- This remuneration includes salary, allowances, gratuity, pensions and performance related incentives.

5. PROCEDURES FOR STANDING AS CANDIDATE FOR THE BOARD OF DIRECTORS

The Board of Directors is elected by the shareholders of the Bank at the Annual General Meeting. The term of office of the Board of Directors is for a maximum period of three years, subject to re-election. The Board reports to the shareholders at the Annual General Meeting (AGM) or specially convened general meetings of the shareholders. The meetings of the shareholders are convened after giving adequate notice and with detailed agenda notes being sent to them. The Board comprised of seven members, elected by the shareholders at the Bank's AGM on 31 March 2019 for a period of three years. The Board exercised its right to appoint alternate directors to fill vacant seats of the Board till the next general meeting. Shareholders at the Bank's AGM on 28 March 2021 elected a member to fill in a vacancy in the Board.

The election process is through direct secret ballot by the shareholders of the bank, where each shareholder shall have a number of votes equal to the number of shares held by them. Every shareholder shall have the right to vote in entirety to one candidate or divide the shares amongst the nominees, subject to the stipulation that the total votes cast shall not exceed the number of shares owned by such shareholders.

The entire process of nomination and election of the Board of Directors, including the eligibility criteria, is governed by Article 6 of the Bank's Articles of Association, as well as in compliance with the relevant provisions of the Commercial Companies Law of the Sultanate of Oman, SAOG Regulations, the Code of Corporate Governance for General Omani Joint Stock Companies issued by the Capital Market Authority and the relevant guidelines issued by the Central Bank of Oman.

6. DIVIDEND POLICY

The Bank's dividends policy complies with the CBO & CMA guidelines. The Board of Directors follow 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.

7. STATEMENT ON COMPLIANCE

The Board of Directors of the Bank have been appointed in line with the guidelines of the Commercial Companies Law of Oman, SAOG Regulations, and in accordance with the regulations of the Central Bank of Oman. The Board of Directors has complied with all the guidelines for the appointment of Directors prescribed by the Commercial Companies Law of Oman, SAG Regulations and the Central Bank of Oman's regulations with reference to eligibility.

The Board of Directors of the Bank consists of seven directors from among shareholders and non-shareholders. The Directors of the Bank affirm that no member of the Board:

- Is an employee of the Bank or an employee of any other bank in the Sultanate of Oman.
- Is on the Board of any other Bank registered in the Sultanate of Oman.
- Sits on the Board of more than four joint stock companies registered in Oman.
- Is a Chairman of more than two joint stock companies registered in Oman.

During the year under report, the Bank has complied with the directives of the CMA, Rules and Guidelines on Disclosure by Issuer of Securities and Insider Trading, the Guidelines of the Commercial Companies Law and the Code of Corporate Governance of the Capital Markets Authority for listed companies except for the following:

- The Chairman of the Board Audit Committee is also a member of the Board Risk Management Committee and the Executive, Nomination and Remuneration committee. This is due to the limited number of Board Members as compared to the number of board committees, required to be formed by the Board of Directors.

During the period 2019 to June 2022, the Bank paid a total amount of RO OMR 81,275.88 in penalties to both the Central Bank of Oman "CBO" and the Capital Market Authority "CMA". The CBO penalties for the year 2021 were ranging from High to Low risk categories; mainly for non-compliance with specific lending practices and asset related limits. The Bank has addressed the issues and is taking time bound rectification measures.

8. CHANNELS OF CONTACT WITH SHAREHOLDERS AND INVESTORS

The Bank has endeavoured to establish meaningful relations with its shareholders and investors. The Bank is committed to ensure timely disclosure and communication of all material to the shareholders and the market regulators. The Bank has provided investor related information in the quarterly, half-yearly reports and the Annual Report as per the statutory guidelines and the terms of the Bank's listing agreement.

The Annual Report includes inter alia, the report of the Board of Directors, Corporate Governance report, Management Discussion and Analysis report and the Audited Financial results. The management has taken the responsibility for the preparation, integrity and fair presentation of the financial statements and other information in the Annual Report of the Bank. The summary of Annual Report will be sent to all shareholders of the Bank in line with the rules for the same as stipulated by the Capital Markets Authority.

Additionally the bank has posted the financial statements on its website www.soharinternational.com.

8.1 Sohar International Bank SAOG Shares - Market Price

Monthly share prices of the Bank's shares quoted at the Muscat Stock Exchange (MSX) and the bands for the banking sector stocks on the MSX. (This information is available from news agencies and it is a published information. This is given here as part of the requirements of the Code of Corporate Governance for MSX listed companies. This is not a solicitation in any manner to subscribe to the Bank's shares)

Sohar International Bank SAOG Shares - Market Price

Month 2021	Sohar International Bank SAOG Share price Rial Omani			MSX Banks & Investment Index closing
	High	Low	Closing	
January 31	0.0900	0.0850	0.089	5492.6120
February 27	0.0810	0.0800	0.080	5429.1420
March 31	0.0860	0.0860	0.086	5699.7270
April 30	0.0900	0.0890	0.089	5822.3470
May 21	0.0900	0.0860	0.088	5979.8480
June 30	0.0970	0.0960	0.096	6466.0740
July 31	0.0950	0.0950	0.095	6445.9090
August 31	0.0930	0.0920	0.093	6321.7770
September 30	0.0910	0.0900	0.090	6235.6740
October 31	0.1050	0.1020	0.103	6402.5650
November 30	0.1100	0.1040	0.105	6371.8880
December 31	0.1170	0.1160	0.116	6577.9230

8.2 Distribution of share ownership

As of 30 June 2022, the authorised share capital of the Bank is OMR 400 million and the issued and paid-up share capital of the Bank as at 30 June 2022 is OMR 295.355 million. Total shares on issue as at 30 June 2022 was 2,990,062,290.

As of July 2022, the following shareholders held 5% or more of the Bank's capital:



Name of Shareholder	No of Shares	Percentage of Shareholding
Royal Court Affairs	489,971,007	16.38665
OIFC	461,205,072	15.4246
Seventh Moon Investment LLC	269,943,693	9.02803
Neptune National Investment company LLC	233,547,370	7.81079
Western Sea Investments LLC	227,288,657	7.60147
.MARS Development and Investment LLC	204,349,905	6.8343
Oman Investment Authority /1	167,020,590	5.58586

9. STATUTORY ACCOUNTS

The Bank has adopted the International Financial Report Standards (“IFRS”) in the preparation of its accounts and financial statements.

10. AUDITOR’S PROFILE

Deloitte provides audit, consulting, financial advisory, risk advisory tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Global 500R companies through a globally connected network of member firms in more than 150 countries and territories bring world class capabilities, insights and high quality service to address clients’ most complex business challenges. Deloitte & Touche (ME) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926. DTME’s presence in the middle east is established through its affiliated independent legal entities which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country.

Deloitte provides audit, tax, consulting, financial advisory and risk advisory services through 25 offices in 14 countries with more than 3300 partners, directors and staff. It is a Tier 1 Tax advisor in the GCC region since 2010 (according to the International Tax Review World Tax Rankings).

During the year 2021 an amount of RO 106,195/- was charged by external auditors against the services rendered by them to the organization (RO 90,195/- for audit of bank’s conventional and Islamic banking operations, RO 14,000/- for Shari’ah audit and RO 2,000/- for tax services).

11. RIGHTS OF SHAREHOLDERS

All the Bank’s shares shall carry equal rights which are inherent in the ownership thereof, namely the right to receive dividends declared and approved at the general meeting, the preferential right of subscription for new shares, the right to a share in the distribution of the Bank’s assets upon liquidation, the right to transfer shares in accordance with the law, the right to inspect the Bank’s statement of financial position, statement of comprehensive income and register of shareholders, the right to receive notice of and the right to participate and vote at general meetings in person or by proxy, the right to apply for annulment of any decision by the general meeting or the Board of Directors, which is contrary to the law or the Articles of the Bank or regulations, and the right to institute actions against the directors and auditors of the Bank on behalf of the shareholders or on behalf of the Bank pursuant to the provisions of the Commercial Companies Law. The Bank gives minority shareholders prime importance in terms of safeguarding their interests and ensuring that their views are reflected in shareholders’ meetings. The “one share one vote” principle applies to all shareholders so that minority shareholders can nominate members of the Board and can take action against the Board or the management if the actions of the Board or management are in any way prejudicial to their interests.

12. RELATED PARTY TRANSACTIONS, DEALINGS AND POLICY

There is a comprehensive policy on related party dealings, and processes and procedures laid down which are followed in the matter of all loans and advances given to directors and their related parties and also any transactions with companies in which directors have a significant/ controlling interest. Details of loans and advances, if any, given to any Director or his related parties are furnished with full details in the notes to the financial statements given in the annual report as public disclosures. Any other transactions with Directors carried in the normal course of business and without any preferential treatment are disclosed to the shareholders along with the agenda notes for the AGM.

13. CONCLUSION

The Board of Directors acknowledge that the preparation of the Annual Report of the Bank together with the Management Discussion and Analysis Report, the Corporate Governance Report and the audited financial statements has been done with their full knowledge and in line with the standards for accounting and the statutory rules governing disclosure by the Capital Markets Authority and the Central Bank of Oman.

The Board of Directors also acknowledge that there is no material information and material things that will in any way affect the continuation of the business of the Bank in the coming financial year.



CHAPTER 11: DIVIDEND POLICY

DIVIDEND POLICY

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

The historical dividend details of the Bank are given below -

For Year	Cash dividend (Baisa per share)	Bonus Shares for every 100 shares held
2017	5	10
2018	6	-
2019	3	3
2020	-	-
2021	4	-

CHAPTER 12: PRICE JUSTIFICATION

INTRODUCTION

Since inception, within a timeframe of 15 years, the Bank has shown remarkable all-round growth and has created a strong market presence in terms of market share, product range, brand value, strong ethics and impressive financial performance, leading to attractive returns to investors.

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

BANK'S STRATEGY AND WAY FORWARD

The Bank believes that 2022 will bring a new dawn on Oman as it progresses towards the goals laid down in its Vision 2040. The Bank's vision and clearly defined strategic path is aligned with the government's vision 2040. The Bank aims at achieving excellence in everything we do, setting the organization on a sustainable growth path and contributing to the advancement of the Sultanate's economic diversification agenda. 2022 may continue to be challenging but the Bank is optimistic that there will be a lot of opportunities too.

The bank has ambitions to accelerate its growth locally and expand internationally in line with its vision of becoming a world-leading Omani service company that helps customers, communities and people to prosper and grow. In pursuit of these objectives the Bank has received approval from the Central Bank of Oman to initiate the due diligence process to assess the feasibility of the bank's proposed merger with Bank Nizwa and recently disclosed its intent to acquire HSBC Oman

Internationally, having successfully partnered with Saudi EXIM Bank to enhance foreign trade and investment opportunities between our two nations, the Bank is in the midst of establishing a branch in the Kingdom of Saudi Arabia. This initiative further increases the pace of economic cooperation, realizing meaningful commercial and investment exchanges and contributing towards achieving the goals outlined in Oman Vision 2040.

Congruent to its purpose of helping people win by delivering banking for their ever-changing world, the Bank is moving ahead continuing to strike a balance between continuity and change. The bank's culture of innovation, and digital prowess, is embedded across various facets of its businesses as it continues to scale its business model locally and internationally. This aligns seamlessly with the Bank's principles of providing more vision, more value and more velocity to all stakeholders. Moving ahead, the Bank will continue to launch a number of new products and services for its customers delivered through newly developed digital platforms that are designed to scale-up the market coverage, simplify and speed-up service delivery. While digitalization will underpin all of the Bank's initiatives and efforts, a strong people interface will be equally important.

With increased global focus and importance of Environmental, Social, Governance (ESG), the Bank remains committed to incorporating these principles within its business strategies. The Bank's values compliment initiatives in relation to sustainability, diversity & inclusion, and are well aligned with the nation's considerable efforts to adopt environmental sustainability and social spheres, through effective governance structures.

The Bank is confident about Oman's steady growth under the visionary leadership of His Majesty Sultan Haitham bin Tarik. The new five-year rolling plan will bring in new products in sync with changing customer needs, enhanced service standards and technological adoption. The Bank will set new benchmarks as a thought leader and an institution with a social conscience by promoting growth opportunities for young Omanis and contributing to the society at large.

FINANCIAL HIGHLIGHTS

(In RO million)

Particulars	30 June 2022	2021	2020	2019
Loans, advances and financing (net)	2,732	2,612	2,503	2,454
Total assets	4,364	4,134	3,611	3,505
Customers' deposits	2,568	2,394	2,232	2,097
Share capital	295	295	245	236
Retained earnings	16	17	14	38
Total shareholders' equity	396	397	332	336
Net interest income	43	78	72	70
Total operating income	60	111	92	105
Net Operating Income	34	60	47	60
Net profit for the period	18	28	20	34

Profit for the period increased 21.5% to RO 18.47 million compared to RO 15.20 million for the same period last year. Total operating income increased 11.9% to RO 60.68 million, (30 June 2021: RO 54.22 million), driven by increases in net interest income and fees and commissions.

Total operating expenses increased 11.2% to RO 26.22 million (30 June 2021: RO 23.58 million). Increased expenses reflect continued investment in people and technology supporting the bank's strategic objectives.

Net operating income before impairment provisions increased 12.5% to RO 34.46 million compared to RO 30.64 million for the same period last year, resulting in a cost-to-income ratio of 43.2% (30 June 2021: 43.5%). Loan impairment charges and other credit risk provisions (net) for the period was RO 12.72 million compared to RO 12.77 million for the same period last year.

Total assets as at 30 June 2022 increased 8.2% to RO 4,364 million (30 June 2021: RO 4,031 million) mainly driven by increase in loans, advances and Islamic financings (net). Loans, advances and Islamic financings (net) increased 8.1% to RO 2,732 million (30 June 2021: RO 2,526 million).

Customer deposits increased 11.5% to RO 2,568 million (30 June 2021: RO 2,304 million), highlighting the bank's funding strength with the net loans-to-customer deposit ratio improving to 106.4% from 109.6% as at 30 June 2021.

Increase in shareholder's equity from RO 340.3 million to RO 396.0 million includes the highly successful rights issue in Q3 2021 of RO 50 million.

AVERAGE SHARE PRICE

As of 11 August 2022	Average closing price (Baisa)	Discount of Issue Price to avg. closing price
1-month average closing price	109	8.3%
3-month average closing price	107	6.5%
6-month average closing price	110	19.1%
1-year average closing price	106	5.7%

Source: MSX

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

PEER COMPARISON

	M.Cap (OMR Mn)	BVPS	P/E	P/Bv	ROE	ROA
Sohar International	332	0.132	10.50	0.84	7.98%	0.72%
Bank Muscat	2,297	0.532	11.83	1.15	9.72%	1.51%
NBO	455	0.277	12.40	1.01	8.15%	0.87%
Bank Dhofar	402	0.182	16.38	0.74	4.50%	0.56%
HSBC Oman	294	0.174	12.72	0.84	6.62%	0.96%
Ahli Bank	263	0.153	8.75	0.89	10.11%	0.99%
Bank Nizwa	224	0.106	17.35	0.94	5.43%	0.86%
Oman Arab Bank	200	0.214	55.94	0.56	1.00%	0.10%

Source: Bloomberg, MSX, Annual Reports & Financial Disclosures of the respective banks

Price as of 11 August 2022

CHAPTER 13: RIGHTS AND LIABILITIES OF SHAREHOLDERS

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

13.1 Shareholders' Liability

The liability of the shareholder shall be limited to the payment of the value of the shares he subscribes to and he shall not be responsible for the debts of the Bank except within the limits of the value of the Shares he subscribes for.

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

13.2 Shareholders' Rights

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

- i. Receive dividends declared by the general meeting;
- ii. Preferential subscription for new Shares;
- iii. Share in the distribution of the Bank's assets upon liquidation;
- iv. Transfer Shares in accordance with the applicable law;
- v. Inspect the Bank's balance sheet, profit and loss statement and register of Shareholders;
- vi. Receive notice of and the right to participate and vote in all general meetings in person or by proxy (each Shareholder will have one vote for each ordinary share owned);
- vii. Apply for annulment of any resolution made by the general meetings or the Board of Directors, which is contrary to law or the Articles of Association or other internal regulations of the Bank;
- viii. Institute actions against the Directors and auditors of the Bank on behalf of the shareholders or on behalf of the Bank pursuant to Article 207 of the CCL;
- ix. Approach the CMA (provided that the move is supported by Shareholders who own at least 5% of the Shares), to exercise its authority to suspend resolutions of the general meeting which are passed in favour of, or against, any category of Shareholders or in the interests of the members of the Board of Directors or others.

13.3 Ownership & Transfer of Shares

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

13.4 Reports and Statements to be sent to the Shareholders

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

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

Copies of the above-mentioned financial statements and reports must be submitted to the Annual General Meeting and a copy of such financial statement and reports must be sent to the CMA before approving the agenda of the Annual General Meeting, if such financial statements and reports have not been submitted to the Annual General Meeting, approval of such financial statements reports shall be deemed null and void.

The Board of Directors must send to each Shareholder and anyone who is entitled to attend the Annual General Meeting, along with the invitation for attendance, a summary of the audited financial statements, and copies of the reports of the Board of Directors and the auditor related thereto, at least fifteen (15) days prior to the general meeting. Copies of the aforementioned statements and reports, and the resolution of the general meeting in respect thereof, must be filed with the registrar within seven (7) days of the date of convening the general meeting.

If it appears to the Board of Directors prior to the convening of the Annual General Meeting that there are errors in the financial statements, it shall correct such errors and send a notice thereof to the Shareholders and the persons entitled to attend the general meeting, prior to the convening of the general meeting. If the Board of Directors are unable to make the correction prior to convening of the general meeting, the general meeting shall postpone the consideration of the report to another meeting, unless the error is not material. The Board of Directors shall send a copy of the report after it has been corrected to the CMA and file a copy thereof with the registrar within seven (7) days of the date of sending it to the CMA.

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

CHAPTER 14: SUBSCRIPTION CONDITIONS AND PROCEDURES

ELIGIBILITY FOR SUBSCRIPTION

The subscription for the Rights Issue is open to the Shareholders appearing on the Bank's register with the MCD as at the Record Date and to those persons who have bought rights through the MSX. Every Shareholder is entitled to subscribe to the Rights Issue provided they own Shares as at the Record Date and/or they have purchased rights through the MSX.

Every shareholder as on the Record Date is entitled to about 53.51 Offer Shares for every 100 shares held as on the Record Date i.e. 1 Offer Share against about every 1.87 shares held on Record Date, duly rounded down.

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

Issue Period and Issue Price

Issue opens on – 12 September 2022

Issue closes on – 20 September 2022

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

Issue Price – Baisa 102 per share (with a share price of Baisa 100 per share plus issue expenses of Baisa 2 per share)

Trading of rights

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

Subscription for Additional Shares

- 1) Only Shareholders as at the Record Date are eligible to apply for Additional Shares.
- 2) A Shareholder who does not subscribe to his full rights entitlement or sells his rights entitlement (either partially or in full) is not eligible to apply for Additional Shares.
- 3) A non-shareholder who buys rights entitlement, is not eligible to apply for Additional Shares.
- 4) Shareholders validly subscribing to their full entitlement of Offer Shares can apply for Additional Shares;
- 5) Shareholders who want to apply for Additional Shares should indicate it by writing the desired number of Additional Shares in their Application Form and make the required payment with submission of Application Form to Collecting Bank;
- 6) The minimum Additional Shares that can be applied for is one Offer Share with the maximum up to a number such that the total application (including original entitlement, rights purchased and Additional Shares) does not exceed the entire Rights Issue size;

- 7) Additional Shares will be allotted simultaneously with the Offer Shares, subject to CMA approval.
- 8) If the total Additional Shares applied for is more than the under-subscription (before considering additional shares) in the Rights Issue, each Applicants will be allotted Additional Shares on a pro-rata basis proportionate to the number of Additional Shares applied for, and the balance will be refunded;
- 9) If the total Additional Shares applied by Applicants is less than the under-subscription (before considering Additional Shares) in the Rights Issue, all eligible Applicants will be allotted full Additional Shares applied by them;
- 10) If there is any balance under-subscription even after allotment of Additional Shares, then the Board of Directors as per its decision, shall offer the remaining shares for public or private subscription or close the Rights Issue at the level of total actual subscription received.

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

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

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

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

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

Subscription on behalf of Minor Children

- 1) An individual of age less than 18 years as on Record Date will be considered a minor.
- 2) Only a father may subscribe on behalf of his minor child(ren).
- 3) If a Subscription is made on behalf of a minor by any person other than the minor's father, the person submitting the Subscription shall be required to attach a valid Shari'ah (Legal) Power of Attorney issued by the competent authorities authorizing him to deal in the funds of the minor through sale, purchase and investment.

Minimum and Maximum application

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

Particulars of the bank account

- 1) Each Applicant shall be required to furnish the particulars of his 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 Form. This can be done by submitting any document from the Applicant's bank which clearly shows the account number and name of the account holder (Applicant), such as an account statement issued by the bank or a letter / document issued by the Applicant's bank containing the aforesaid information. The Applicant shall ensure that such evidence submitted is readable in a clear manner. The Applicant is not obliged to submit evidence of his 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 Form containing the bank account number of a person other than the Applicant shall be rejected.

Documentation Required

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

Mode of Subscription

- 1) The Applicant shall be required to fill in the Application Form for the subscription and furnish all his particulars including the Shareholder Number available with MCD, 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 Form. While emphasizing on it, the collecting bank has been instructed to accept only those Application Forms that comply with all requirements provided in the Application Form and Prospectus.
- 3) Before filling the Application Form, the Applicant should peruse the Prospectus and read the conditions and procedures governing the subscription with total care and importance.
- 4) The Applicant shall submit the Application Form to the Collecting Bank along with the payment towards the Offer Shares and also ensure that the documents in support of the information furnished are enclosed.
- 5) The payment for the subscription should be made by the Applicant in Omani Rials only. Payment in any other currency may cause rejection of application.
- 6) In case of payment through bank transfer, the Applicant is responsible for ensuring successful transfer of subscription amount to Collecting Bank within the subscription period and attach a copy of the bank transfer confirmation with his Application Form.



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

SIB RIGHTS ISSUE 2022
A/c no. 00010035005056
Sohar International Bank SAOG
BSHROMRXXX

Availability of duplicate application forms

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

Collecting Bank

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

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

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

Acceptance of the applications

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

- 1) If Application Form does not bear the signature and stamp (if applicable) of the Applicant.
- 2) In case of failure to pay the value of the Offer Shares subscribed in accordance with the conditions provided for in the Prospectus.
- 3) If the value of the Offer Shares subscribed is paid through cheque and it is dishonoured for whatever reason.
- 4) If Application Form does not bear the Applicant's investor no. available with MCD.
- 5) If the investor account number furnished in the Application Form is incorrect.
- 6) If there are more than one Application Form with same Applicant name, all of them shall be rejected.
- 7) If there are more than one Application Form with same investor number, all of them shall be rejected.
- 8) If supporting documents referred to in the Prospectus are not enclosed with the Application Form.
- 9) If Application Form does not contain all particulars of the bank account of the Applicant.
- 10) If bank account details of the Applicant in the Application Form are found to be incorrect.
- 11) If bank account details provided in the Application Form are found to be not relevant to the Applicant.



- 12) In case of failure to attach Power of Attorney with Application Form as provided for in the Prospectus in respect of the person who subscribes and signs on behalf of another person.
- 13) If the application has not complied with the legal and organizational requirements as provided for in the Prospectus.

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

Refusal / Rejection of applications

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

Enquiry & Complaints

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

Mr. Hussain Ali Abdullah Al Lawati
Sohar International Bank SAOG
PO Box 44, PC 114, Hai Al Mina, Oman
Tel: +968 24730125, Fax: +968 24730344
E-mail: Hussain.ALawati@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. Mubarak Moosa
Sohar International Bank SAOG
PO Box 44, PC 114, Hai Al Mina, Oman
Tel: +968 24761969, Fax: +968 24730280
E-Mail: mubarak.moosa@soharinternational.com

Restrictions on Shareholding

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

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



- The aggregate holding by an individual and his related parties shall not exceed 15% of the voting shares in a locally incorporated bank;
- The aggregate holding by an incorporated body and its related parties shall not exceed 25% of the voting shares in a locally incorporated bank;
- The aggregate holding by a Joint Stock Company or a Holding Company and its related parties shall not exceed 35% of the voting shares in a locally incorporated bank; and
- No individual, incorporated body or a Joint Stock Company or a Holding Company who, together with any related party already owns 10% or more of the voting shares of a locally incorporated bank shall own by way of investment, more than 15% of the outstanding voting shares of another locally incorporated bank.

Payments for Additional Shares

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

Allotment and Refund

The Offer Shares shall be allotted and refunds will be made (if required) within 3 days from the Allotment, after obtaining CMA approval for allotment. The Applicant, after the announcement of the allotment, shall ensure that the allotted shares are appearing in its account with MCD.

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

Responsibilities of Shareholders/ Applicants in Rights Issue

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

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

Issuer's right

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

Proposed Timetable

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

ACTIVITY	DATE*
Approval of Prospectus by CMA	21 Aug 2022
Date of publication of announcement: After approval of the Prospectus, at least five working days before the Record Date, the Bank must publish an advertisement approved by CMA through the electronic publication system and in one daily newspaper at least, one of them to be an Arabic, notifying the shareholders and other investors of the Rights Issue. The advertisement must include a summary of the Prospectus including the volume and ratio of the increase in the capital, issue price, the Record Date, Collecting Bank, subscription period and the period for the trading of the rights entitlement.	24 Aug 2022
Record Date: Shareholders registered in MCD records as at this date are eligible for subscription to the Rights Issue as holders of the rights.	1 Sep 2022
Service of Notices on the shareholders: At least three days before the date set for the Issue Open Date, the Issue Manager shall send written notices to each shareholder at the address recorded in the shareholders record advising of the Rights Issue together with a summary of the approved Prospectus and an application form. The notice must specify the number of shares that may be subscribed, the period of subscription under such Right or the assignment of the rights within no more than 15 days beyond the date of publication of the notice as prescribed in Article 74 of the SAOG Regulations	7 Sep 2022
Listing of the rights entitlement: The Issuer and the Issue Manager in collaboration with MCD and MSX carry out the procedures for listing of the rights for trading on MSX within five working days from the date of Record date. A record of holders of the rights shall be prepared for the purposes of the trading of the rights within the specified period. The rights shall be separated from the shares and shall be traded separately.	7 Sep 2022
Date of commencement of subscription (Issue Open Date): This date shall not be less than fifteen days from the date of publication of the notice of the Rights Issue. Application Forms will be issued directly to the shareholders, but duplicate application forms may be obtained from the Collecting Bank or Issue Manager.	12 Sep 2022
End of trading of the rights	13 Sep 2022
End of subscription period (Issue Close Date): After this date, the Issue Manager shall collect the list of subscription from the Collecting Bank, verify the subscription list, match it with the rights holders' record and process the allotment of shares.	20 Sep 2022
Allotment Approval: Submission of Subscription results to CMA by Issue Manager to obtain CMA approval on the proposed allotment	21 Sep 2022
Submission of allotment list to MCD	22 Sep 2022

*The actual dates may vary.

Responsibilities & Obligations

The Issuer, Issue Manager, Legal Adviser, Collecting Bank and the MCD 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 MSX for taking suitable steps and measures for repairing such damages.

CHAPTER 15: UNDERTAKINGS

Sohar International Bank SAOG

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

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

Signed on behalf of the Board of Directors:

Name	Signature
	Sd/-
	Sd/-



Issue Manager

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

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

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

1. We have taken necessary and reasonable care to ensure that the information given to us by the Issuer and that contained in the Prospectus are consistent with the facts available in the documents and other material pertaining to the Issue.
2. To the best of our knowledge and on the basis of our perusal and information given to us by the Issuer, the Issuer has not omitted any material information, the omission of which would render the Prospectus misleading.
3. The Prospectus and the Issue to which it relates is consistent with all the rules and terms of disclosure stipulated for in the Capital Market Law, the Executive Regulations of the Capital Market Law and the Securities Law prospectus models applied by CMA and is in conformity with the Commercial Companies Law and SAOG Regulation 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/-

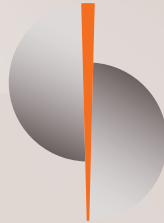
Sohar International Bank SAOG

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 and the SAOG Regulation, the Securities 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



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