



بنك ظفار  
BankDhofar

# INVESTOR PRESENTATION

MARCH 2020



# Disclaimer

THIS PRESENTATION, INCLUDING ANY INFORMATION CONTAINED HEREIN AND ANY INFORMATION, WHETHER OR NOT IN WRITING, SUPPLIED IN CONNECTION THEREWITH (THIS PRESENTATION) IS STRICTLY CONFIDENTIAL. THIS PRESENTATION IS FURNISHED TO YOU SOLELY FOR YOUR INFORMATION AND SHOULD NOT BE TREATED AS GIVING INVESTMENT ADVICE. THIS PRESENTATION, ANY RELATED MATERIALS AND THEIR CONTENTS ARE STRICTLY PRIVATE AND CONFIDENTIAL AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY PURPOSE. THIS PRESENTATION IS NOT AN OFFER OR SOLICITATION OF AN OFFER TO BUY, SUBSCRIBE OR SELL SECURITIES IN ANY JURISDICTION. IT IS SOLELY FOR USE AT AN INVESTOR PRESENTATION AND IS PROVIDED FOR INFORMATION PURPOSES ONLY. THIS PRESENTATION DOES NOT CONTAIN ALL OF THE INFORMATION THAT IS MATERIAL TO AN INVESTOR. THE INFORMATION IS NOT FOR GENERAL PUBLICATION, RELEASE OR DISTRIBUTION IN THE UNITED STATES, THE UNITED KINGDOM, AUSTRALIA, CANADA OR JAPAN.

By attending the meeting where this Presentation is made, or by reading the presentation slides, you agree to be bound by the following limitations:

This Presentation and any related presentation does not constitute an offering memorandum or prospectus intended for investors, in whole or part. Once it is available, you should consult the prospectus prepared by Bank Dhofar S.A.O.G. (the Bank) for more complete information about the Bank and the securities described herein. This Presentation does not constitute or form a part of, and should not be construed as, an offer, advertisement of an offer or invitation to subscribe for or purchase any securities of the Bank and shall neither form the basis of, or be relied on in connection with, any offer or commitment whatsoever.

The information in this Presentation is subject to verification, completion and change. This Presentation provides an indicative summary of the terms and conditions of the securities and the transactions described herein and may be amended, superseded or replaced by subsequent summaries. The final terms and conditions of the transactions and securities will be set out in full in the applicable prospectus or other binding transaction document(s). Any decision to purchase the securities described herein in the context of the proposed transaction should be made solely on the basis of information contained in the actual offering documents relating to the securities, including the prospectus, and your independent analysis thereof.

Any investment in the securities described herein will involve certain risks. See "Risk Factors" in the applicable prospectus.

Arab Banking Corporation (B.S.C.), Barclays Bank PLC, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC and HSBC Bank plc (the Joint Lead Managers) do not provide, and have not provided, any investment advice or recommendation to you in relation to the transactions or securities described herein and are not responsible for providing or arranging for the provision of any general financial, strategic or specialist advice, including legal, regulatory, accounting, model auditing or taxation advice or services or any other services in relation to the transactions or securities described herein. Accordingly, no Joint Lead Manager is under any obligation to, and shall not determine the suitability for you of the transactions or securities described herein. The information contained herein does not constitute investment, legal, accounting, regulatory, taxation or other advice and such information does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs.

The securities mentioned herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

This Presentation is only being directed in the United Kingdom to (and this document and any related materials are intended for distribution in the United Kingdom only to): (i) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order); or (ii) high net worth entities and other persons to whom it can otherwise lawfully be communicated falling within Article 49(2)(a) to (d) of the Order, and (iii) any other persons to whom it may otherwise lawfully be distributed in accordance with the Order (all such persons in (i) to (iii) above together being referred to as relevant persons). In the United Kingdom, only relevant persons may attend this Presentation. If you are not a relevant person you should not attend this Presentation and should immediately return any materials relating to that meeting currently in your possession.

The information in this Presentation is given in confidence and the recipients of this Presentation should not engage in any behavior which would or might amount to market abuse for the purposes of Regulation (EU) No 596/2014 or any other applicable law.

This Presentation is an advertisement and is not a prospectus for the purposes of Regulation (EU) 2017/1129. The final prospectus, when published, will be available on the website of the Irish Stock Exchange plc, trading as Euronext Dublin, at <https://www.ise.ie/Market-Data-Announcements/Debt/>.

The information contained in this document includes information obtained from the Bank's records and publicly available sources and has not been independently verified by or on behalf of the Joint Lead Managers, the Bank or any of their respective affiliates. This Presentation has been prepared by the Bank. Neither the Joint Lead Managers, the Bank nor any of their respective directors, officers, employees or advisors nor any other person makes any representation or warranty, express or implied, as to the fairness, accuracy, adequacy or completeness of the information contained in this Presentation, the assumptions on which it is based, the reasonableness of any projections or forecasts contained herein or any further information supplied, or the suitability of any investment for your purpose. Neither the Joint Lead Managers, the Bank nor any of their respective directors, officers, employees, affiliates (within the meaning of Rule 405 under the Securities Act) or advisors nor any other person shall have or accept any liability (in negligence or otherwise) or responsibility whatsoever in respect of the information herein and shall not be liable for any loss, damage of any kind (including, without limitation, damages for misrepresentation under the Misrepresentation Act 1967) or other results howsoever arising, directly or indirectly, from any use of, or reliance on, this Presentation. Each of the Joint Lead Managers therefore disclaims any and all liability relating to this Presentation including without limitation any express or implied representations or warranties for statements contained in, and omissions from, the information herein. The Joint Lead Managers are acting solely in the capacity of an arm's length counterparty and not in the capacity of your financial adviser or fiduciary.

This Presentation contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "may", "will", "should", "anticipate", "believe", "estimate", "expect", "intend", "plan", "project", "seek" or "target" and similar expressions, as they relate to the Bank and the market in which it operates, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of the Bank to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by the Bank's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. The Bank does not intend or assume any obligation to update these forward-looking statements.

In this document various financial measures that are not measures of financial performance or liquidity under IFRS are presented.

This Presentation speaks as of the date hereof and is subject to change without notice or liability to any person. Neither the delivery of this Presentation nor any further discussion of the Bank with any of the recipients shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank since such date. This material is given in conjunction with an oral presentation and should not be taken out of context.

MiFID II professionals / ECPs-only / No PRIIPs KID – Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared as not available to retail in European Economic Area or in the United Kingdom.

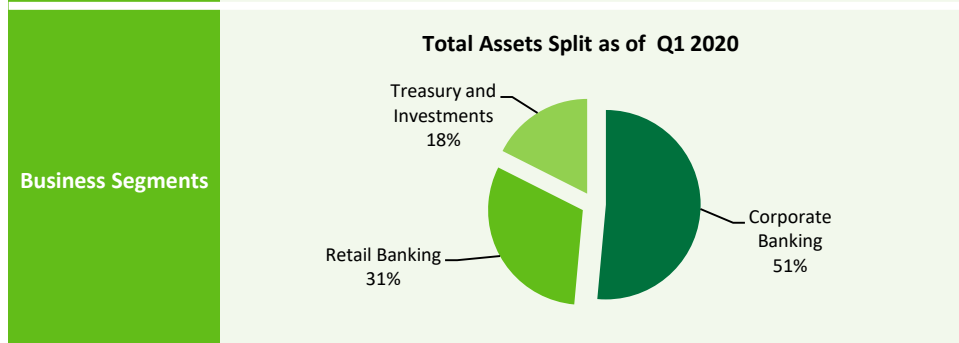
Notification under Section 309B(1)(C) of the Securities and Futures Act (Chapter 289) of Singapore – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the SFA) and the Securities and Futures (Capital Markets Products) Regulations 2018 (the CMP Regulations 2018), the Bank has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Capital Securities are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Offers and sales to professional investors only as defined in the Securities and Futures Ordinance (cap.571) of Hong Kong (the SFO) and any rules made under the SFO.

<b>Section 1</b>	<b>Bank Dhofar Overview</b>	<b>4-7</b>
<b>Section 2</b>	<b>Operating Environment</b>	<b>9-10</b>
<b>Section 3</b>	<b>Business Overview</b>	<b>12-14</b>
<b>Section 4</b>	<b>Financial Performance</b>	<b>16-19</b>
<b>Section 5</b>	<b>Appendix</b>	<b>21-22</b>

## Snapshot of Bank Dhofar

<b>Description</b>	<ul style="list-style-type: none"> <li>▶ Bank Dhofar SAOG (“Bank Dhofar” or “the Bank”) was established in the Sultanate of Oman (“Oman”) in 1990 as a public joint stock company</li> <li>▶ The Bank has a well established retail franchise and also offers corporate banking, investment banking and treasury services</li> <li>▶ Second largest listed bank in Oman by total assets of USD 11.314 billion and 1,579 employees as of Q1 2020.</li> <li>▶ Offers both conventional and Islamic products exclusively within Oman</li> <li>▶ Operates a network of 70 branches with 60 conventional branches (including 1 corporate centre) and 10 Islamic branches, as of March 2020</li> </ul>
--------------------	--



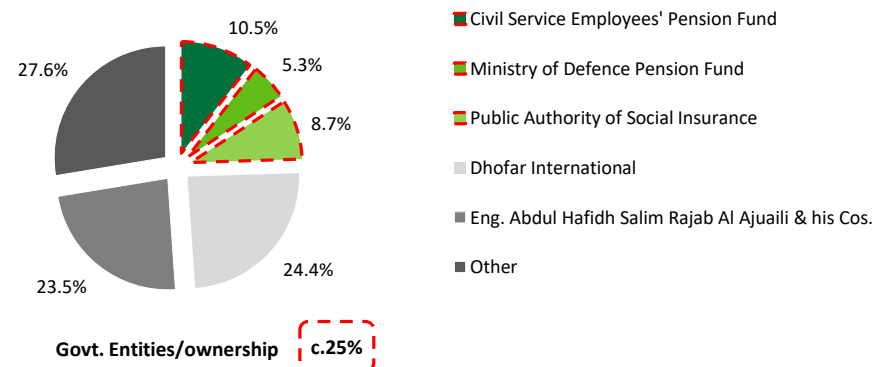
<b>Credit Rating</b>	<ul style="list-style-type: none"> <li>▶ Rated Ba3 by Moody’s – April 2020</li> <li>▶ Rated BB- by Fitch – March 2020</li> </ul>
----------------------	--

## Financial Highlights

USD Million	2016	2017	2018	2019	Q1 2020
Total Assets	10,265	11,031	10,943	11,236	11,314
Total Equity	1,387	1,525	1,813	1,782	1,764
Net Loans, Advances and Financing to Customers	7,764	8,439	8,205	7,957	8,293
Customer Deposits	7,494	7,969	7,597	7,645	8,042
Total Operating Income	330	330	342	338	81
Net Profit	125	125	131	79	23
CET 1 Ratio	9.85%	10.53%	11.88%	12.59%	12.13%
Capital Adequacy	14.41%	15.44%	17.33%	17.86%	17.18%

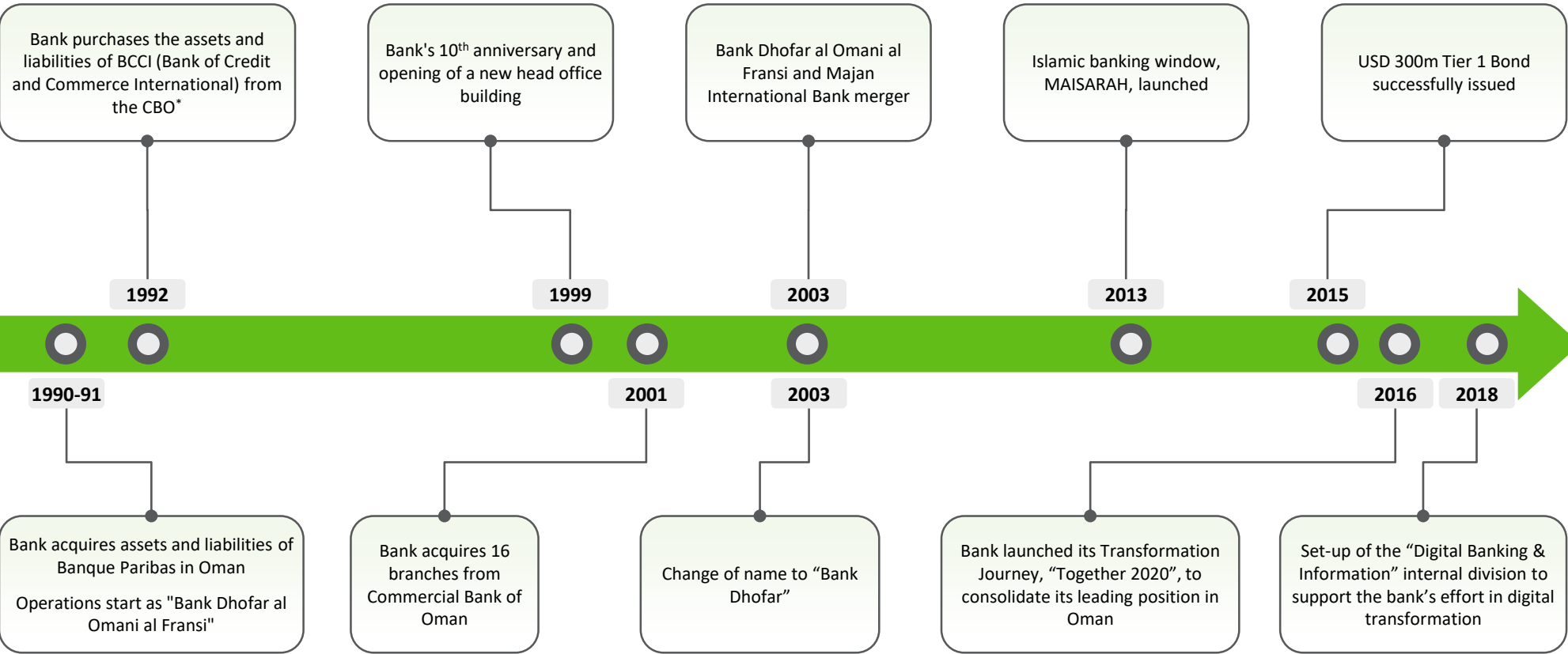
## Ownership Structure (as at 31st March 2020)

**Bank Dhofar is listed on the Muscat Securities Market (MSM) with a market capitalisation of USD 700 Million as at 31<sup>th</sup> March 2020**



# Bank Dhofar's Journey

**BANK DHOFAR HAS BEEN PROUDLY SERVING OMANI CUSTOMERS SINCE 1990**



Source: Bank Dhofar's prospectus  
\* Central Bank of Oman

# Bank Dhofar Key Credit Strengths

## Leading Franchise in Oman

- ▶ 2<sup>nd</sup> largest listed bank in Oman by total assets, total customer deposits and loans, as well as by market capitalisation
- ▶ Strong brand recognition in the Omani market
- ▶ Diversified offering with a well established retail franchise and also a strong corporate banking franchise leveraging on the Bank's relationship with the Omani government and GREs
- ▶ Award winning and one of the fastest growing Islamic banking windows in Oman

## Strong Relations with the Omani Government and GREs

- ▶ 25% Government ownership in the Bank enabling strong relations with GREs
- ▶ Provider of banking services and products to the employees of the Ministry of Education, the Ministry of Health and the Ministry of Defense
- ▶ The Bank anticipates that it will continue to strengthen its relationships with government institutions in Oman

## Solid Capitalisation

- ▶ Strong capital position with CAR at 17.2% and CET1 at 12.1% as of Q1 2020, which are well above the minimum regulatory requirements (13.5% and 9.5% respectively)
- ▶ Bank Dhofar has never skipped an AT1 coupon to date
- ▶ The Bank has been consistently paying dividends over the past 15 years
- ▶ Strong shareholder base which has consistently supported the bank's capital position



## Oman Economy Well Positioned for Growth

- ▶ Real GDP is forecasted to drop to (2.8%) in 2020E, pick up to c.3.0% a year in 2021E-22E\*\*\*
- ▶ Rising condensate output will support economic growth in 2020, given that Oman is exempt from OPEC-agreed quotas.\*\*\*
- ▶ Government set to push long-serving workers into retirement. The move will lead to sizeable budget savings, but further fiscal rationalization remains necessary. The planned implementation in 2021 of a number of pro-business reforms, together with the increased use of PPPs, should help to encourage investment\*\*\*

## Diversified Distribution Channel Catered to Customers' Needs

- ▶ Strong distribution network with an optimal coverage of the Oman territory (70 branches, 120 ATMs, 59 CCDMs\* and 15 FFM\*\* as at 31st March 2020)
- ▶ Continuous branches modernisation with introduction of multi-function kiosk machine for convenient banking 24/7 - Best Digital Transformation in Banking Award by Smart SMB Summit and Awards
- ▶ Market-edge internet banking and mobile banking in Oman - Bank Dhofar's mobile banking voted Best Mobile Banking Application in Oman by Global Banking & Finance Review Awards in 2019

## Experienced Management

- ▶ Experienced and dedicated management team with many years of regional and global experience with leading financial institutions in both conventional banking and Islamic finance

\* Cash and Cheque Deposit Machines ("CCDMs")

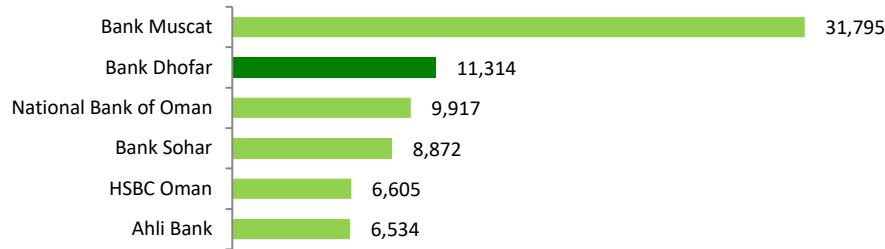
\*\* Full Function Machines ("FFMs")

\*\*\* Source: The Economist Intelligence Unit, ceicdata website

# Omani Banking Sector Comparison

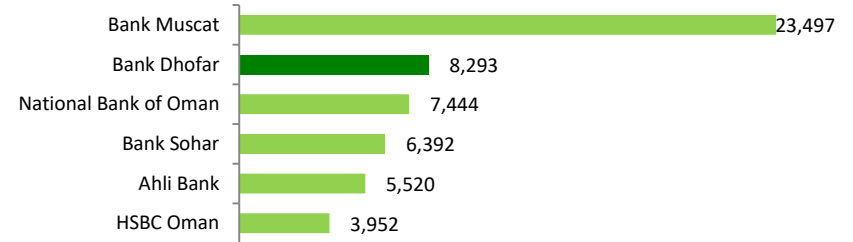
## TOTAL ASSETS

USD million, 31<sup>st</sup> March 2020



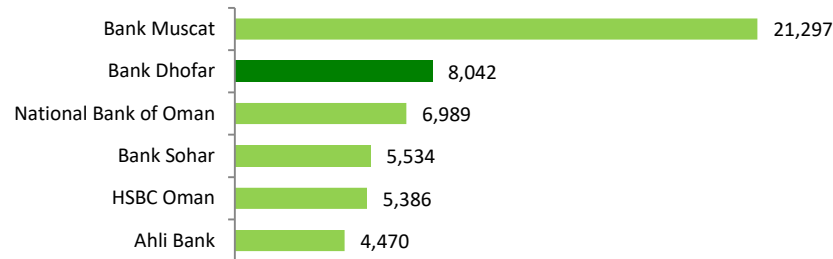
## NET LOANS

USD million, 31<sup>st</sup> March 2020



## TOTAL CUSTOMER DEPOSITS

USD million, 31<sup>st</sup> March 2020



## LOANS TO DEPOSITS RATIO\*

31<sup>st</sup> March 2020



\* Net loans, advances and financing to customers divided by deposits from customers

## CET 1 RATIO

Per cent., 31<sup>st</sup> March 2020



## CAPITAL ADEQUACY RATIO

Per cent., 31<sup>st</sup> March 2020



<b>Section 1</b>	Bank Dhofar Overview	4-7
<b>Section 2</b>	Operating Environment	9-10
<b>Section 3</b>	Business Overview	12-14
<b>Section 4</b>	Financial Performance	16-19
<b>Section 5</b>	Appendix	21-22



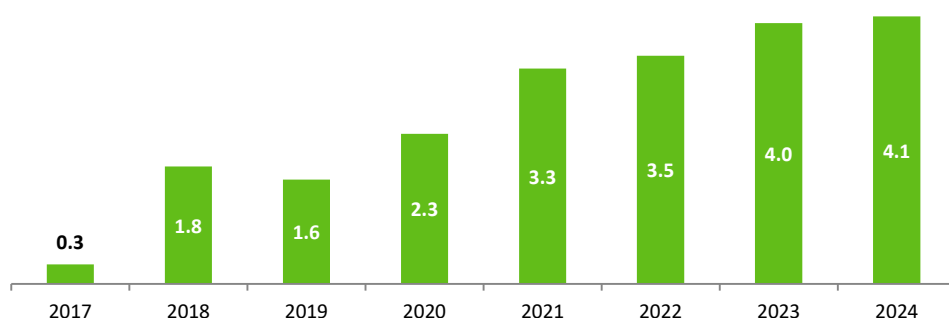
# Sultanate of Oman - Overview

## Overview

- ▶ **2<sup>nd</sup> largest country in the GCC** with an area covering approximately 309,500 km<sup>2</sup>. Strategically placed on the Arabian Gulf, Oman is divided into eleven main governorates and shares borders with Saudi Arabia and UAE.
- ▶ **Stable Political System** - smooth transition of power to His Majesty Haitham bin Tariq Al Said in January 2020. In his opening speech, His Majesty promised to uphold his predecessor's peace-making foreign policy and to further develop Oman's economy
- ▶ **Population of 4.66mn** - predominantly represented by Omani Nationals who account for 57% of the total population
- ▶ **Resilient and Solid Economy** – focus on long-term planning with the implementation of a five-year economic development strategy plan.
- ▶ **Real GDP growth is forecasted to decrease** to (2.8%) in 2020, increasing to c.3.0% a year in 2021-2022\*\*
- ▶ **"Vision 2040"** – government led programme, aimed at creating wealth through economic diversification and private sector partnership, building world-class infrastructure, and preserving environment sustainability

## Real GDP Growth\*

Per cent



\* 2017-2018 actual values, source: IMF  
2019-2024 estimated values, source: EIU, Oman Country Report. 11<sup>th</sup> February 2020

## Key Figures

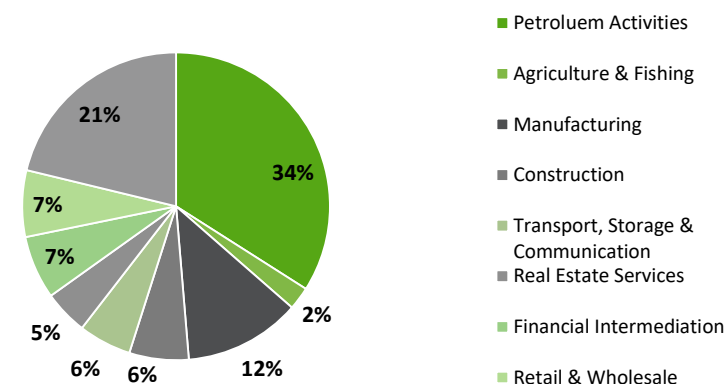


Key Indicators	Dec 2019
<b>Sovereign Ratings (Moody's / S&amp;P / Fitch)</b>	Ba2/BB-/BB
<b>Gross Domestic Product</b>	USD 79.50 bn*
<b>Foreign Assets</b>	USD 16.64 bn*
<b>Government Debt (% of GDP)</b>	59.89%**

Source: Trading Economics website, Rating Reports: Moody's , S&P & Fitch as of Mar-2020

\* CBO Monthly Bulletins & Trading Economics website  
\*\* Statista website

## GDP Composition (Dec 2019)



Source: National Center for Statistics and Information

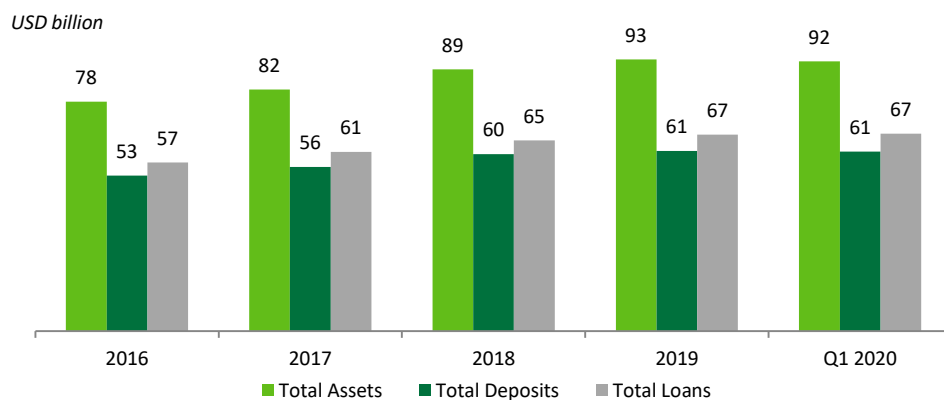
## Overview of the Omani Banking Sector

- ▶ The Omani Banking Sector comprises 20 licensed banks, of which:
  - ▶ 16 conventional commercial banks: 7 locally incorporated and 9 branches of foreign banks
  - ▶ 2 state-owned specialised banks: Oman Housing Bank and Oman Development Bank
  - ▶ 2 full-fledged locally incorporated Islamic banks
- ▶ The Omani banking sector has been growing consistently in the past decade with banking assets reaching over USD 92 billion in Q1 2020
  - ▶ USD 79.4 billion for conventional banks and USD 12.6 billion for Islamic banks
  - ▶ Islamic banking sub-sector has been growing considerably in the past years
- ▶ The banking sector has limited reliance on foreign funding, mainly due to strong domestic deposit base

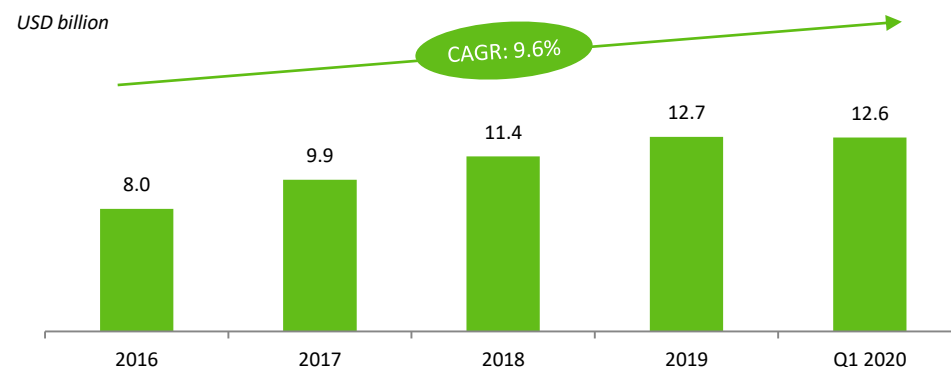
## Regulatory Frame set by The Central Bank of Oman (“CBO”)

- ▶ Several regulatory and supervisory initiatives have been implemented by the CBO to develop a competitive and sound banking system
- ▶ Imposing robust bank capitalization levels
  - ▶ Implementation of Basel III regulation
  - ▶ Introduction of a Prompt Corrective Action framework (the PCA) in 2005, which makes it mandatory for banks to take corrective actions if their total capital adequacy ratio falls below a certain level
- ▶ Credit quality and provisioning – implementation of IFRS 9 as a more conservative accounting standard for measuring and booking credit related provisions
- ▶ Funding and liquidity - directing Omani banks towards a deposit-based funding and significant liquidity buffers
  - ▶ NSFR (minimum of 100%)\*\* and LCR (minimum of 100% by January 2019)\*\*: key reforms to maintain a stable funding profile and a sound liquidity level
- ▶ Oman is one of the first country in the region to issue a bank resolution framework in 2019 to reinforce further financial stability in the banking sector

## Assets, Deposits and Loans of Omani Banks



## Islamic Banking Assets of Omani Banks



<b>Section 1</b>	Bank Dhofar Overview	4-7
<b>Section 2</b>	Operating Environment	9-10
<b>Section 3</b>	<b>Business Overview</b>	<b>12-14</b>
<b>Section 4</b>	Financial Performance	16-19
<b>Section 5</b>	Appendix	21-22

# Business Segments

## Retail Banking (Consolidated)

- ▶ Provides banking services to over 304,000 customers as at March 20
- ▶ Network of 70 branches, 120 ATM, 59 CCDMs\*, 15 FFMs\*\* units as at Mar-20
- ▶ Wide range of services tailored to retail customer needs, including deposits, lending, education loans, debit and credit cards, priority banking, Hawa ladies banking, Youth and Student Banking, savings products and bancassurance
- ▶ The Bank is actively strengthening its retail customer experience by strongly promoting alternatives to the traditional branch network including internet banking, mobile banking, ATMs, CCDMs and FFMs

## Wholesale Banking (Consolidated)

- ▶ Solid client base with banking services provided to over 17,648 corporate and SME customers
- ▶ Wholesale Banking departments consist of corporate banking, business banking, Government banking, Treasury & Financial Institutions, payments and cash management services, corporate advisory and investment banking, projects & MIS department and trade finance (with **one** corporate centre)
- ▶ Services offered include syndicated loans, structured finance, trade finance, working capital finance and term loans

## Treasury and FI (Consolidated)

- ▶ Dedicated division which ensures that funds and currency positions are well-managed and that internal and regulatory limits are complied with
- ▶ Network of over 150 correspondent banks
- ▶ Deals with Government departments and authorities to facilitate all of the Government's banking requirements including deposits, loans, credits and foreign currency exchange.
- ▶ Services include treasury and foreign exchange and interest rate hedging instruments

## Islamic Banking\*

- ▶ Maisarah named Best Islamic Bank in Oman in 2018 (by Middle East Banking Awards, EMEA Finance)
- ▶ Maisarah offers retail, corporate and treasury Shari'ah-compliant financial services and products, through a network of 10 branches
- ▶ Deposits reached USD1,001 mn as at Mar-20 growing by 18.5% since last year (USD845mn as at Mar-19)
- ▶ Gross financing to customers was 15.4% higher year-on-year (USD1,205mn as at Mar-20 vs. USD1,044mn as at Mar-19)

March 2020	USD mn	% of Total
<b>Total Assets</b>	3,505	31.0%
<b>Net Operating Income</b>	29.35	59.8%
<b>Net Profit</b>	3.11	5.7%

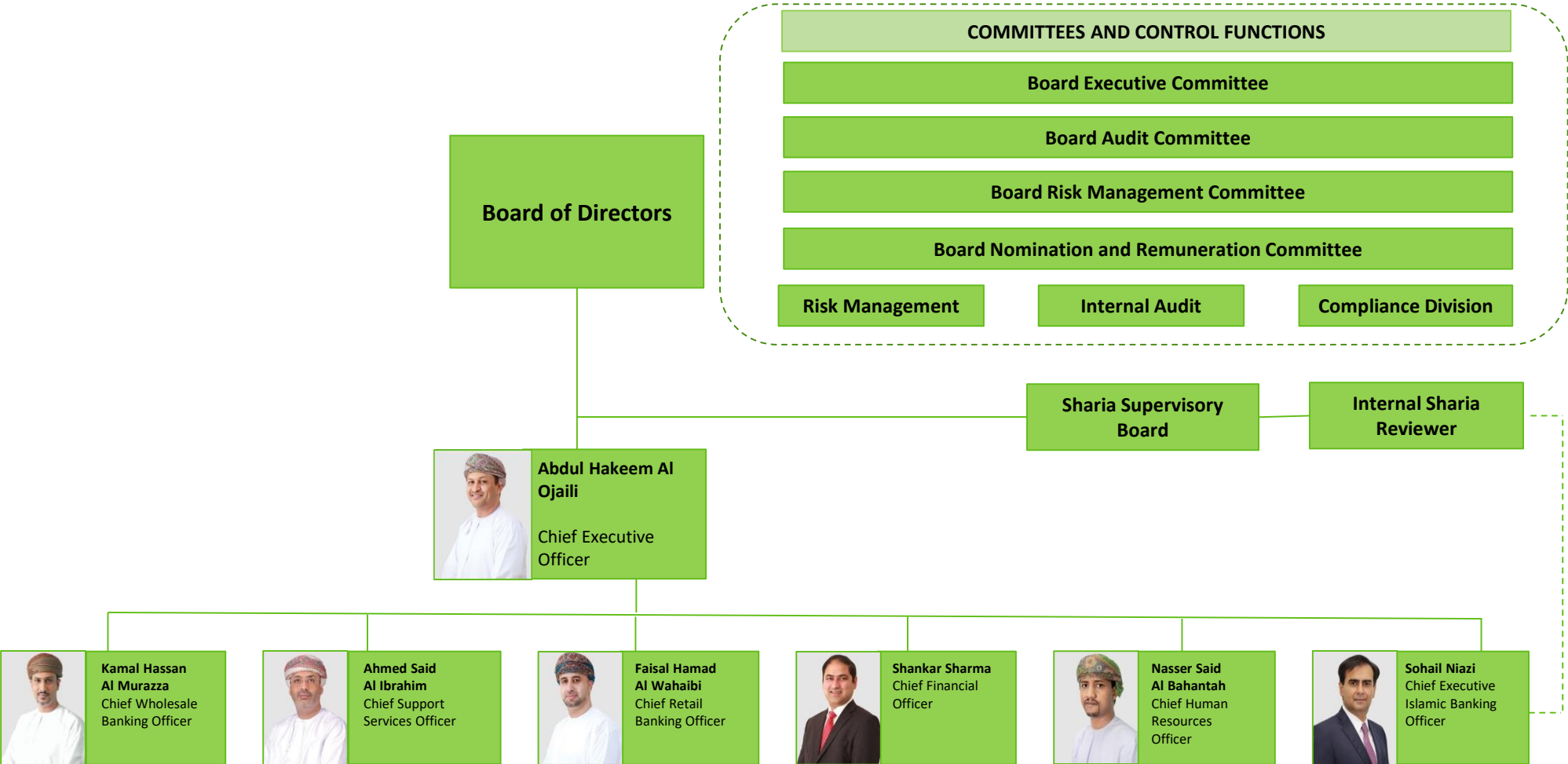
March 2020	USD mn	% of Total
<b>Total Assets</b>	5,821	51.5%
<b>Net Operating Income</b>	37.83	46.9%
<b>Net Profit</b>	11.88	52.0%

March 2020	USD mn	% of Total
<b>Total Assets</b>	1,987	17.6%
<b>Net Operating Income</b>	13.51	16.7%
<b>Net Profit</b>	7.86	34.4%

March 2020	USD mn
<b>Total Assets</b>	213
<b>Net Operating Income</b>	1.55
<b>Profit before tax</b>	0.60

\*For financial reporting purposes, the Bank's business activities are classified within the following operating segments: Retail Banking, Wholesale Banking and Treasury and International Banking (consolidating both Conventional and Islamic Banking figures)

# Organizational Structure



Source: BankDhofar

## “Together 2020” Journey\* - Consolidate our position as a leading bank in Oman

Focus on four strategic axes

### Unparalleled Customer Experience

- ▶ Ensure consistency and promptness of the delivery of services across all channels
- ▶ Segment-specific model including products, services, and channels
- ▶ Digital Banking program to offer convenience and optimize customer reach

- ✓ Designed and implemented customer journeys across multiple channels including e-Banking and new branches
- ✓ Re-engineering and digitization of multiple processes aimed at improving efficiencies and customer experience
- ✓ Implemented CRM to drive sales and enhance customer experience

### Strong Brand

- ▶ Strengthen brand visibility
- ▶ Monitoring of marketing initiatives' effectiveness and brand perception
- ▶ Emphasis on the unique offerings to customers

- ✓ “Best Customer Experience Transformation Strategy Award” – by Customer Experience - Middle East Awards
- ✓ Bank's branding at Muscat international airport
- ✓ Significant engagement in Social Media

### Performance Based Culture

- ▶ Increase employee engagement, employee experience and strong performance management
- ▶ Improve talent acquisition and retention
- ▶ Promote a value based compliance culture

- ✓ Built the BankDhofar Performance Academy and a strong e-learning platform to drive performance culture
- ✓ Continuous review and enhancement of our compliance policies and procedures to ensure full compliance with regulatory guidelines and relevant international standards and practices

### Lean Operating Model

- ▶ Building a lean culture aimed to achieve continuous improvement to the Bank's operations
- ▶ Ongoing review and revamp of operating models and operations in order to achieve the best fit target operating model for various departments

- ✓ Established Lean Six Sigma Certification program with approximately 120 staff enrolled in yellow, green and black belt certification programs
- ✓ Starting to reap benefits (both financial and non-financial) from lean programs



Continue to expand Islamic banking capabilities



Strengthen our business through inorganic expansion

Award winning and one of the fastest growing Islamic banking windows in Oman

Consider selective inorganic growth opportunities that fit our Strategy and could create value for the different stakeholders of the Bank

# Most Recent Awards and Accolades



- Best Mobile Banking Application in Oman – by Global Banking & Finance Review Awards



- Best Islamic bank in Oman - Maisarah Islamic Banking Services at the Middle East Banking Awards (EMEA Finance)



- Best Corporate Advisory of the year in Oman – by Global Business Awards



- Corporate & Investment Bank of the year in Oman – by the ABF Corporate & Investment Banking Awards
- Equity Deal of the year in Oman – by the ABF Corporate & Investment Banking Awards

Customer Experience –  
Middle East Awards

- Best Customer Experience Transformation Strategy Award – by Customer Experience - Middle East Awards

Arab Organization for  
Social Responsibility

- Excellence Award for CSR initiatives and programs by the Arab Organization for Social Responsibility



- Best CEO in GCC's Banking Industry – by Business Worldwide Global Corporate Excellence Awards



- Customer Delight Awards by MENAA Awards

<b>Section 1</b>	Bank Dhofar Overview	4-7
<b>Section 2</b>	Operating Environment	9-10
<b>Section 3</b>	Business Overview	12-14
<b>Section 4</b>	<b>Financial Performance</b>	<b>16-19</b>
<b>Section 5</b>	Appendix	21-22

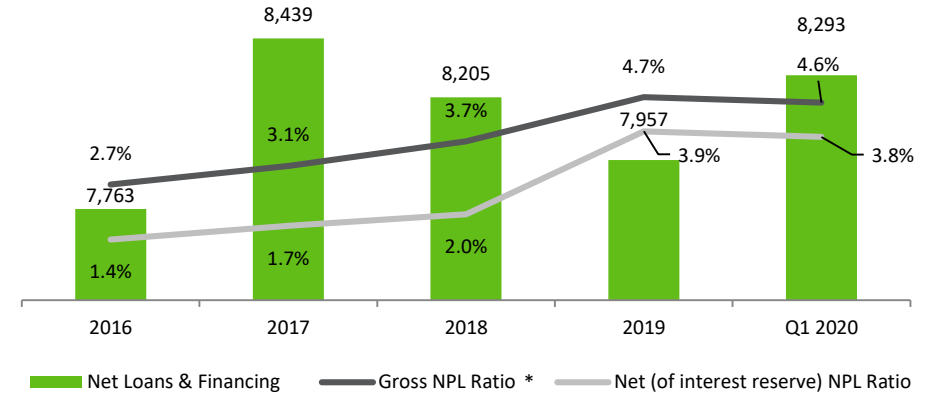


## Highlights

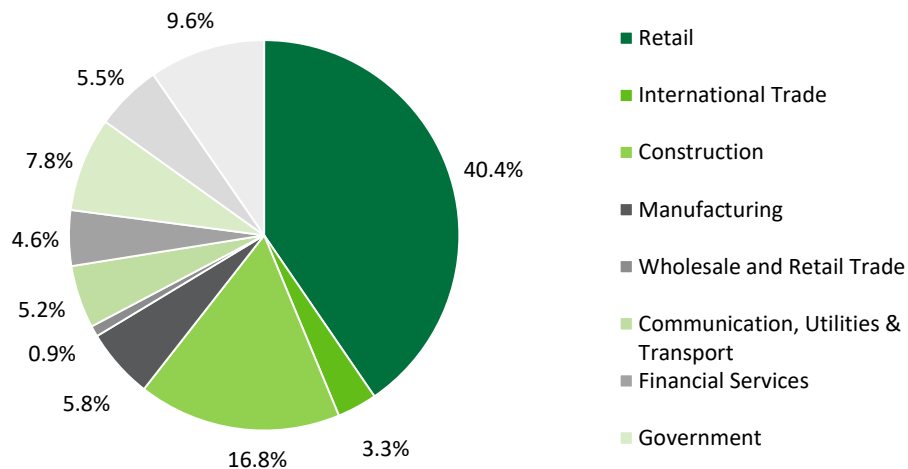
- ▶ After a period of rapid growth, the Bank has pro-actively reduced its loan growth starting 2017 by adopting a more conservative lending approach with a focus on credit quality
- ▶ Diversified loan portfolio across the sectors with a strong franchise in retail
- ▶ Increase in NPL ratio due to negative loan growth and softer economic environment

## Net Loan & Financing Portfolio and Non-Performing Loans

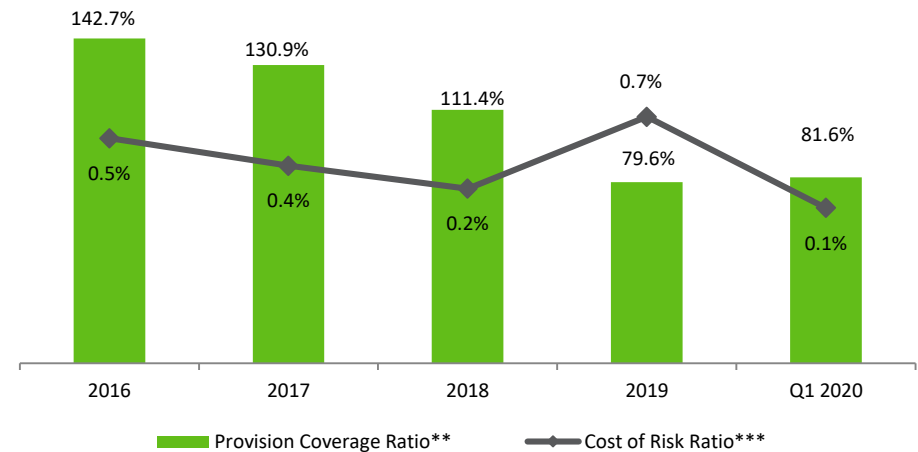
USD million



## Breakdown of Gross Loans by Sector (31<sup>st</sup> Dec 2019)



## Non-Performing Loans Coverage and Cost of Risk



Conversion Rate: 1.00 OMR = 2.5974 USD

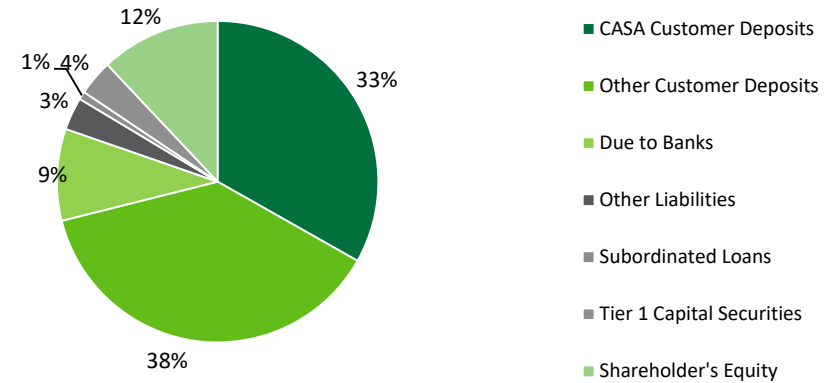
Source: Bank Dhofar's prospectus, Bank Dhofar's Annual & Quarterly Reports

\* Non-performing loans, advances and financing divided by gross loans, advances and financing. \*\* Inclusive of general provision. \*\*\* Net impairment charge divided by average gross loans

## Highlights

- ▶ Stable funding structure with access to diversified sources of funding
- ▶ The Bank is primarily deposit-funded with a broadly stable deposit base, including sticky deposits from GREs
- ▶ The Bank holds a portfolio of highly liquid investment securities which consists primarily of Omani sovereign instruments, available for repo to obtain immediate liquidity from the CBO if needed
- ▶ **NSFR compliant with a ratio of 115%, and a strong LCR of 339% as of December 2019**

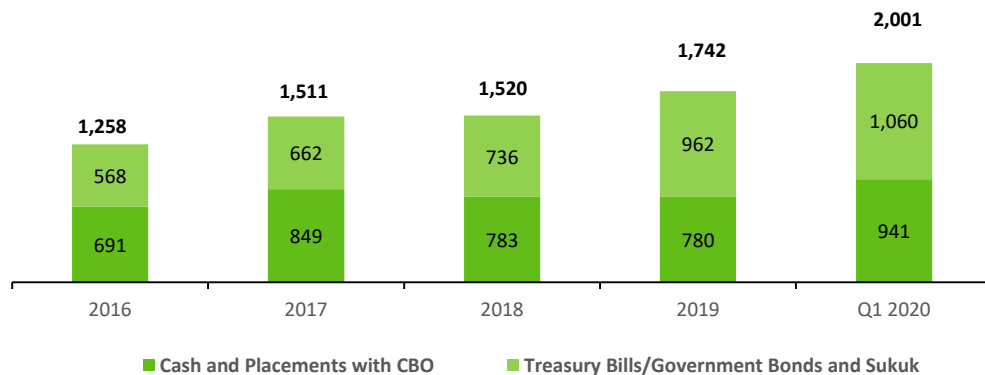
## Funding Mix (USD 11,314 bn as at 31<sup>st</sup> March 2020)



CASA represents 47% of Total customer deposits as at 31<sup>st</sup> March 2020.

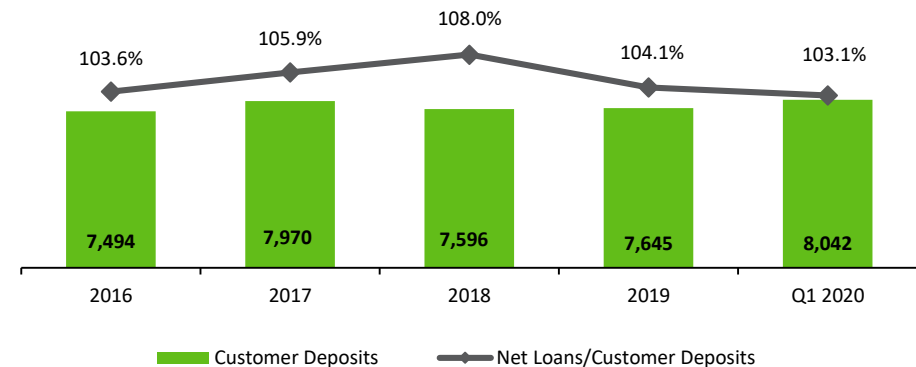
## Overview of Liquidity

USD million



## Customer Deposits and Loan to Deposit Ratio

USD million

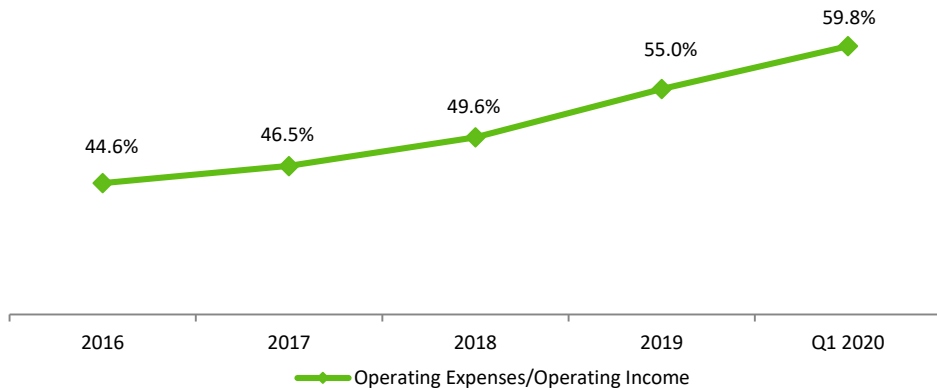


# Profitability and Operating Performance

## Highlights

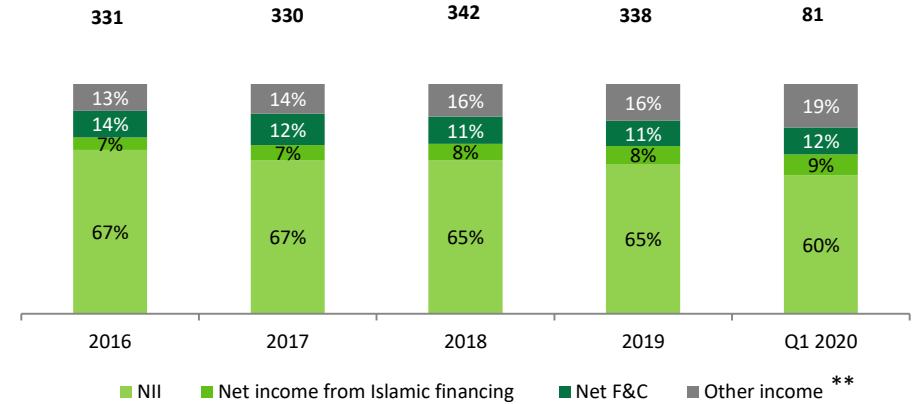
- ▶ Operating income has remain relatively stable despite a decrease in net loans, supported by an increase in investment income (in line with the larger investment portfolio of the Bank in 2019 vs. 2018)
- ▶ Increase in cost to income ratio due to the Bank's investment program with the opening of new, modern branches and technological investments to support its digitalization
  - ▶ Management team is focused on optimizing the cost to income ratio
- ▶ Decline in net profit mainly due to increase in net provisions due to the classification of few large exposures as NPLs
- ▶ Evolution of RoAE should be looked at in conjunction with the improvement of the Bank's CET1 – resulting in a higher capital base

## Cost to Income Ratio



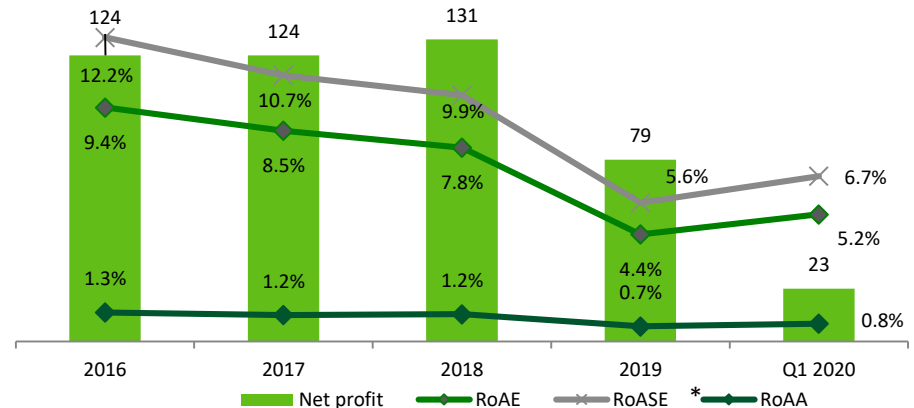
## Net Revenue Breakdown

USD million



## Net Profit and Annualised Return on Average Assets & Shareholders Equity

USD million



Conversion Rate: 1.00 OMR = 2.5974 USD

Source: Bank Dhofar's prospectus, Bank Dhofar's Annual & Quarterly Reports

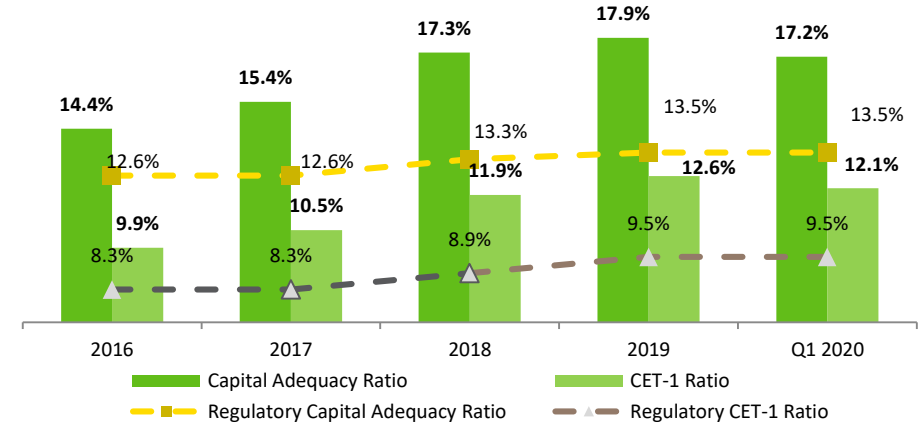
\* Net profit for the year divided by the average total equity attributable to the equity holders of the Bank (calculated as a weighted average of total equity attributable to the equity holders of the Bank). \*\* Other income include: Investments and Foreign exchange

# Capitalisation Overview

## Highlights

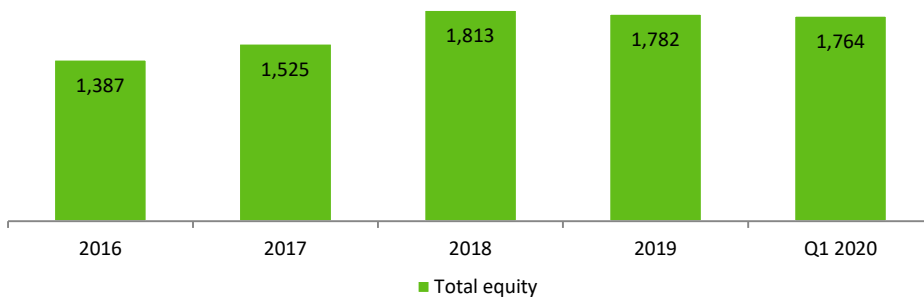
- ▶ Significant improvement of the Bank's capital position thanks to a combination of rights issue, retained earnings and balance sheet optimisation while the initial impact of IFRS 9 on capital was minimal
- ▶ The Bank is reporting capital ratios comfortably above minimum regulatory requirements
- ▶ The Bank has been able to constantly distribute dividends during the past few years with a mix of cash dividends and bonus shares

## Capital Ratios vs. Regulatory Capital Requirements

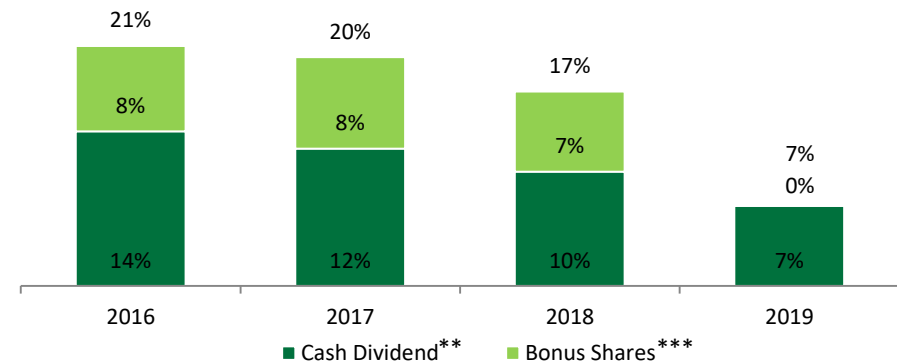


## Total Equity\*

USD million



## Dividend Pay out and Bonus Shares



Conversion Rate: 1.00 OMR = 2.5974 USD

Source: Bank Dhofar's prospectus, Bank Dhofar Annual & Quarterly Reports

\* Including Tier 1 capital. \*\* Cash dividends over Share capital. \*\*\* Bonus shares over Shares outstanding

# Table of Contents

<b>Section 1</b>	Bank Dhofar Overview	4-7
<b>Section 2</b>	Operating Environment	9-10
<b>Section 3</b>	Business Overview	12-14
<b>Section 4</b>	Financial Performance	16-19
<b>Section 5</b>	Appendix	21-22

# Balance Sheet

USD millions	2016	2017	2018	2019	Q1 2020
<b>ASSETS</b>					
Cash and balances with Central Bank of Oman	691	849	783	780	941
Loans, advances and financing to banks	883	779	855	1224	647
Loans, advances and financing to customers	7,764	8,439	8205	7957	8293
Investment Securities	662	756	790	983	1080
Intangible asset	5	3	2	1	1
Property and equipment	21	26	39	50	50
Other assets	242	179	270	241	302
<b>Total Assets</b>	<b>10,265</b>	<b>11,031</b>	<b>10,944</b>	<b>11,236</b>	<b>11,314</b>
<b>LIABILITIES</b>					
Due to banks	912	1,008	958	1273	1044
Deposits to customers	7,494	7,969	7596	7645	8042
Subordinated loans	140	299	166	166	91
Other liabilities	332	231	410	370	372
<b>Total liabilities</b>	<b>8,878</b>	<b>9,506</b>	<b>9,131</b>	<b>9,454</b>	<b>9,549</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	496	587	727	778	778
Share premium	156	200	248	248	248
Retained earnings	187	143	154	27	81
Other reserves	249	294	280	325	253
<b>Total shareholders' equity</b>	<b>1,088</b>	<b>1,223</b>	<b>1409</b>	<b>1378</b>	<b>1360</b>
Perpetual Tier 1 Capital Securities	301	301	404	404	404
<b>Total Equity</b>	<b>1,390</b>	<b>1,525</b>	<b>1813</b>	<b>1782</b>	<b>1764</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>10,268</b>	<b>11,031</b>	<b>10,944</b>	<b>11,236</b>	<b>11,314</b>

\* Numbers may not fully add up due to rounding

Conversion Rate: 1.00 OMR = 2.5974 USD

Source: BankDhofar's Annual & Quarterly Reports

# Income Statement

USD millions	2016	2017	2018	2019	Q1 2020
Interest income	369	418	454	442	105
Interest expense	-132	-200	-226	-222	-56
Net interest income	236	221	228	220	49
Net Income from Islamic Financing and Investment Activities	18	23	25	26	7
Fees and Commission Income	47	55	54	48	12
Fees and Commission Expense	-8	-10	-13	-11	-2
Net Fees and Commission Income	39	44	41	37	10
Other Income	39	44	49	55	15
Operating Income	330	330	342	338	81
Operating Expenses	-148	-153	-170	-186	-48
Profit from Operations	184	177	172	152	33
Provisions for impairments, recoveries and write-backs	-42	-31	-17	-58	-6
Profit from Operations after Provisions	140	145	155	94	27
Income Tax Expense	-18	-21	-25	-15	-4
<b>NET PROFIT FOR THE PERIOD</b>	<b>125</b>	<b>125</b>	<b>131</b>	<b>79</b>	<b>23</b>

\* Numbers may not fully add up due to rounding  
Conversion Rate: 1.00 OMR = 2.5974 USD  
Source: BankDhofar's Annual & Quarterly Reports

Thank You