



بنك ظفار
BankDhofar

INVESTOR PRESENTATION

MARCH 2022



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➤ **Second largest listed bank in Oman** by total assets of USD 11.37 billion and 1,481 employees as of Q1 2022.

➤ **Market share in Oman**

Assets (13%) Loans (13%) Deposits (12%)

➤ **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

➤ **Strong capital position** with CAR at 17.77% and CET1 at 13.04% as of Q1 2022, which are well above the minimum regulatory requirements (12.25% and 8.25% respectively)

➤ **Fastest Growing Islamic Bank** in Oman

➤ **Credit rating outlook 'stable'**

Rated 'Ba3 with outlook stable' by Moody's – April 2022

Rated 'BB- with outlook stable' by Fitch – January 2022

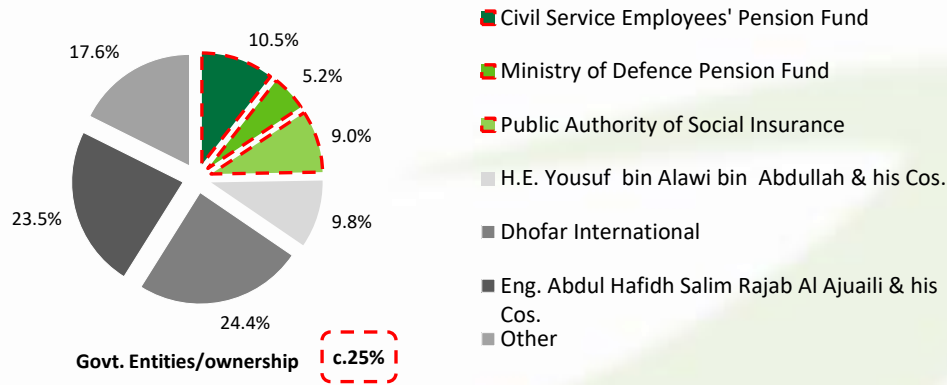
➤ **Experienced and dedicated management team** with many years of regional and global experience with leading financial institutions in both conventional banking and Islamic finance

Financial Highlights

USD Million	2018	2019	2020	2021	Q1 2022
Total Assets	10,943	11,236	11,057	11,529	11,370
Total Equity	1,813	1,782	1,807	1,814	1,814
Net Loans, Advances and Financing to Customers	8,205	7,957	8,482	8,691	8,464
Customer Deposits	7,597	7,645	7,432	7,729	7,253
Total Operating Income	342	338	338	328	87
Net Profit	131	79	79	65	18
CET 1 Ratio	11.88%	12.59%	12.45%	12.90%	13.04%
Capital Adequacy	17.33%	17.86%	17.70%	17.75%	17.77%

Ownership Structure & Asset composition

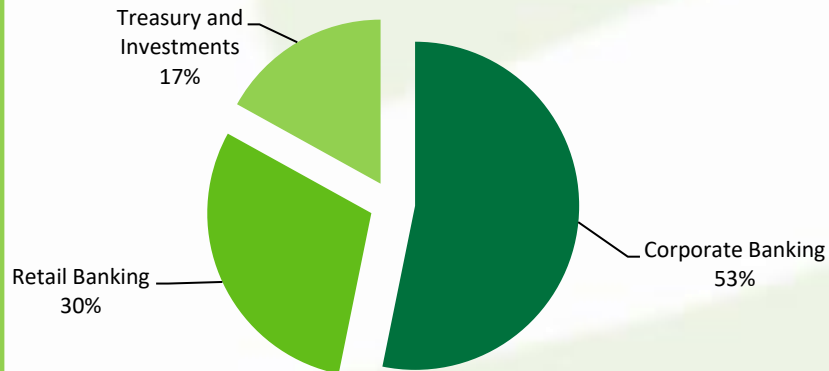
Ownership Structure (as at 31st March 2022)



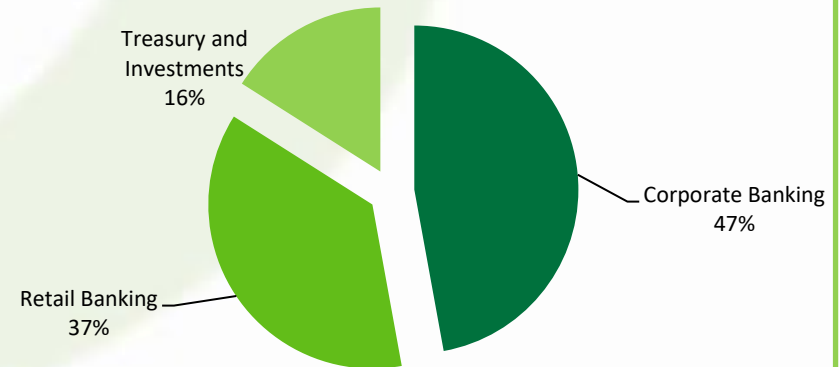
Strong Relations with the Omani Government and GREs

- ▶ 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

Consolidated Total Assets Split as of Q1 2022

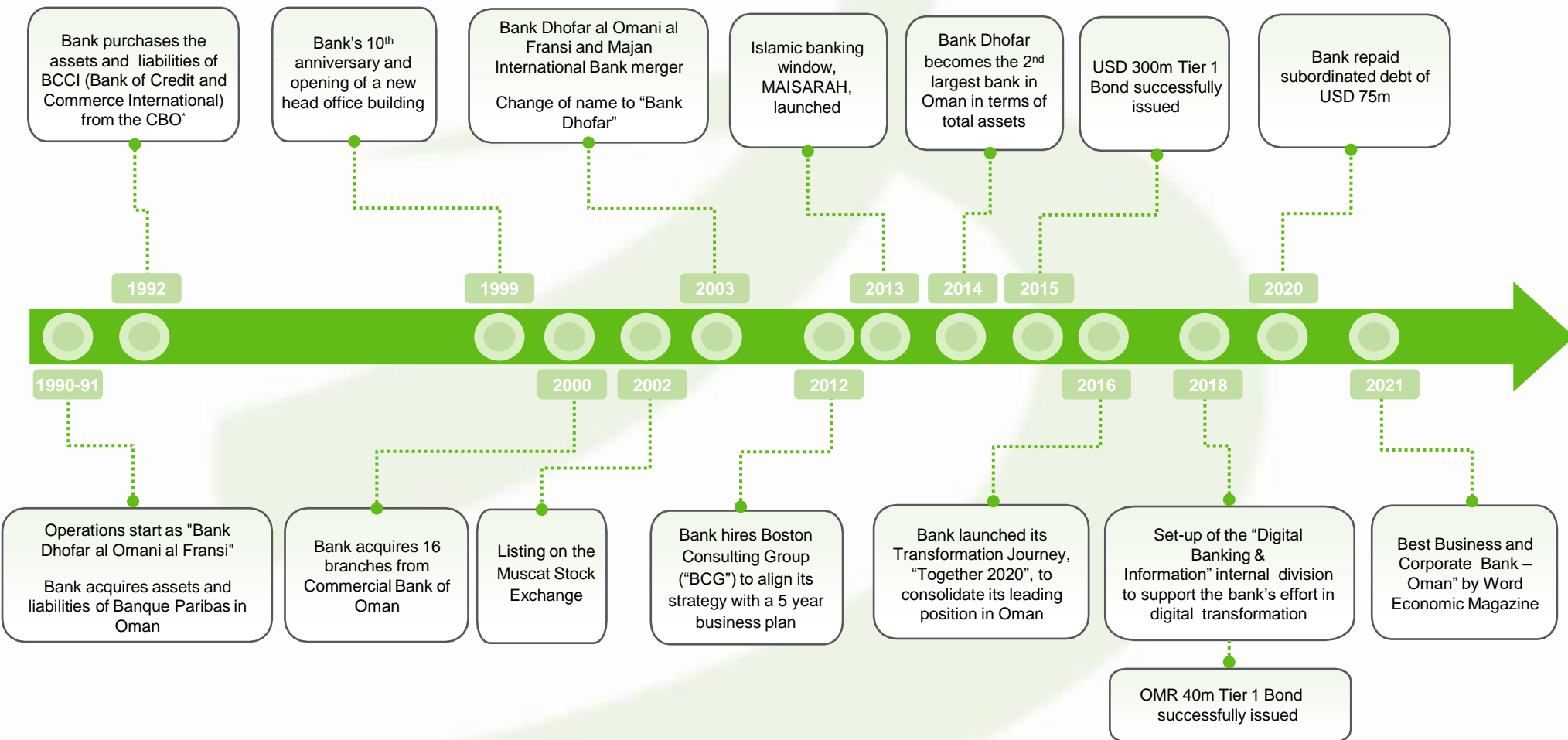


Consolidated Net Operating Income Split as of Q1 2022



Bank Dhofar's Historic Evolvement

BANK DHOFAR HAS BEEN PROUDLY SERVING OMANI CUSTOMERS SINCE 1990



Source: Bank Dhofar
* Central Bank of Oman

Bank Dhofar Key Credit Strengths

1. Leading Franchise in Oman

- » 2nd largest listed bank in Oman by total assets, total customer deposits and loans, and market capitalisation
- » Diversified product offering with a well-established retail banking franchise
- » Strong corporate banking platform supporting the Government of Oman and Oman GREs
- » Award winning and one of the fastest growing Islamic banking windows in Oman

6. Experienced & Seasoned 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

5. Diversified & Smart Distribution Channels

- » Strong distribution network with an optimal coverage of the Oman territory (64 branches, 121 ATMs, 57 CCDMs¹, 21 FFMs² as of 31st March 2022)
- » Continuous branches modernisation with introduction of multi-function kiosk machine for convenient banking 24/7
- » Market-edge internet banking and mobile banking in Oman



2. Government Ownership

- » The Government of Oman (directly and indirectly) owns c.25% of Bank Dhofar
- » High probability of support from the government, if required, given Bank Dhofar's systemic importance for the country

3. Stable & Growing Operating Environment

- » Stable banking sector
- » Prudent regulatory environment
- » Stable political system in the Oman with excellent diplomatic relationship in the region
- » Positioned to benefit from growth in Oman with economic diversification focus, favorable population demographics and clear policy measures that would lead to the reduction of the deficit

4. Solid & Robust Capitalisation

- » Strong capital position with CAR at 17.77% and CET1 at 13.04% as of March 2022, which are well above the minimum regulatory requirements (13.5%³ and 9.5% respectively)
- » The Bank has been consistently paying dividends over the past 15 years
- » Strong shareholder base which has consistently supported the bank's capital position

1. Cash and Cheque Deposit Machines ("CCDMs")

2. Full Function Machines ("FFMs")

3. Including capital conservation buffers

Omani Banking Sector Comparison

USD million

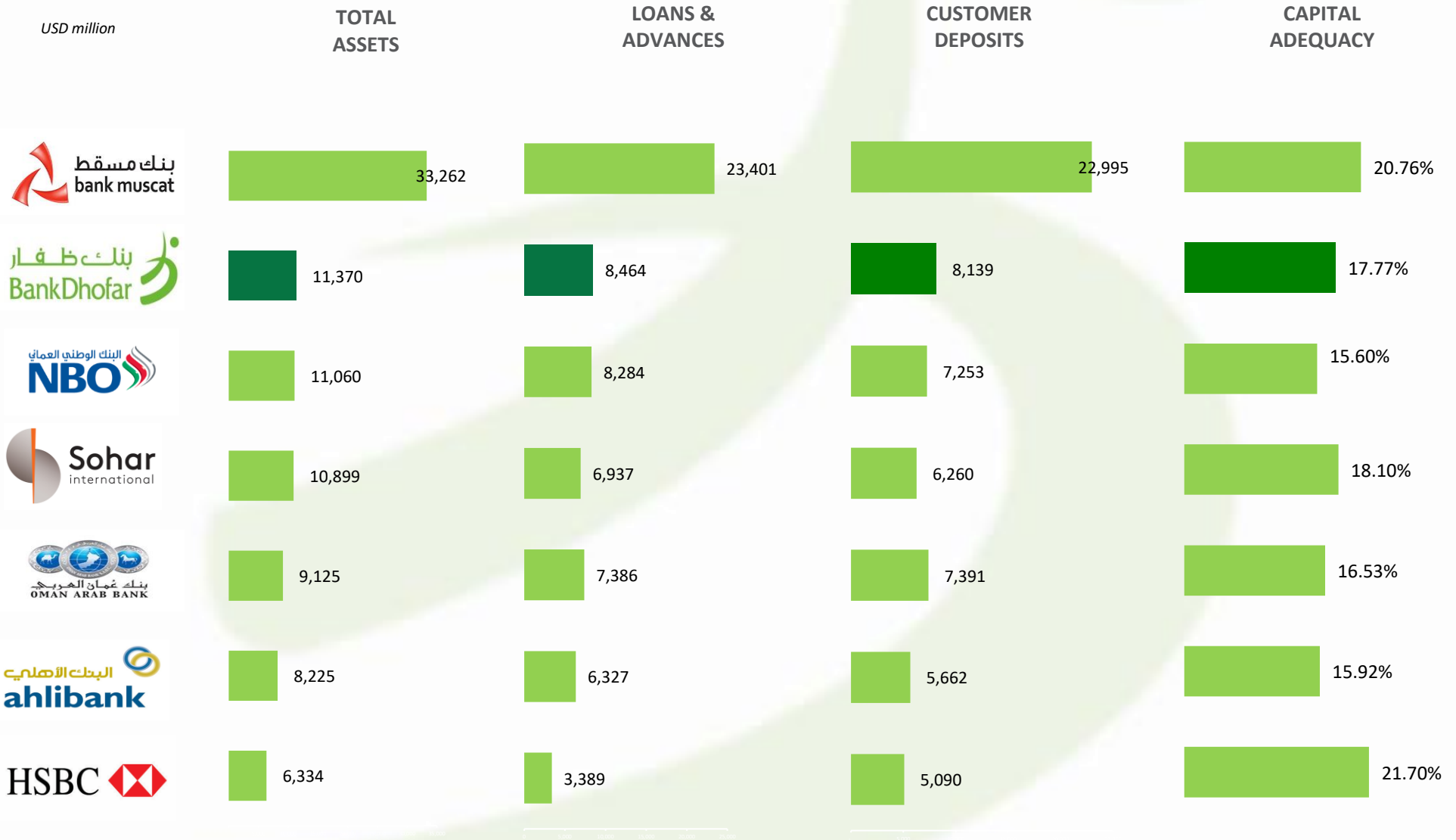


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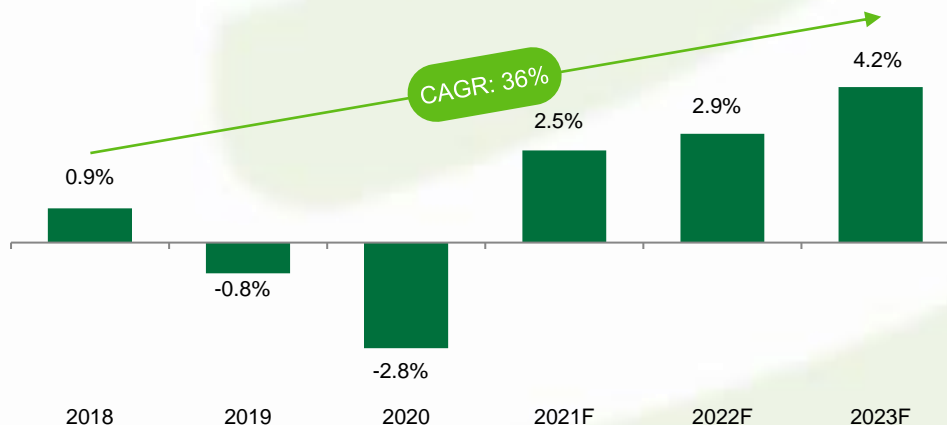
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Overview of Sultanate of Oman

Overview

- **2nd largest country in the GCC** with an area covering approximately 309,500 km². Strategically placed on the Arabian Gulf, Oman is divided into 11 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 4.5mn** - predominantly represented by Omani Nationals who account for 61% 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 increase** to 2.9% in 2022 and continue to grow and projected to reach 4.2% in 2023 (IMF)
- **“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 Growth²



2. Source: IMF World Economic Database (October 2021)

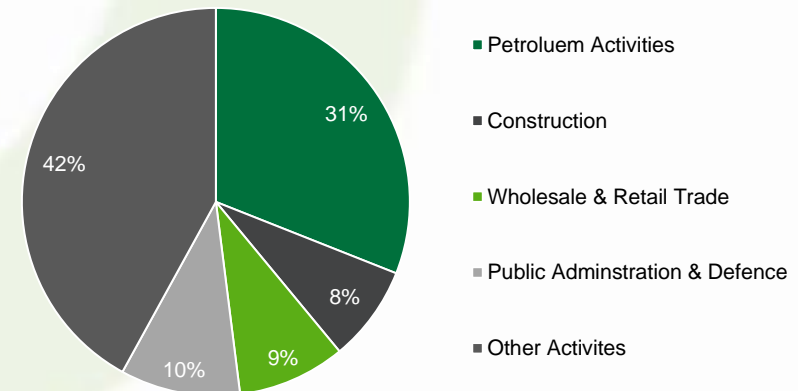
Key Figures



Key Indicators	Dec 2021
Sovereign Ratings (Moody's / S&P / Fitch)	Ba3/B+/BB-
Gross Domestic Product	USD 80.61bn ¹
Gross Domestic Product Per Capita	USD 17,632 ¹
Government Net Debt (% of GDP)	30.32% ¹
Inflation	3.00%
Population	4.5 million

1. Source: IMF World Economic Database (October 2021), Forecast figures

GDP Composition (September 2021)³



3. Source: National Centre For Statistics & Information (NCSI) - September 2021

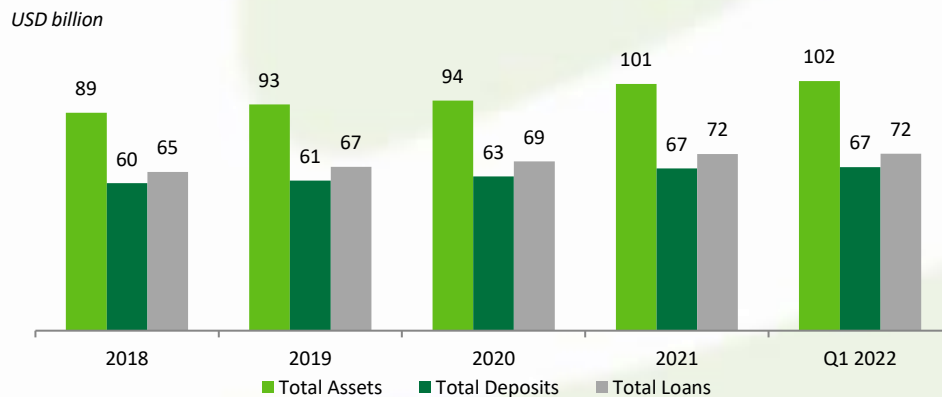
Overview of the Omani Banking Sector

- ▶ 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 99 billion in September 2021.
 - ▶ USD 85 billion for conventional banks and USD 15 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 Framework 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%): key reforms to maintain a stable funding profile and a sound liquidity level

Assets, Deposits and Loans of Omani Banks



Islamic Banking Assets of Omani Banks

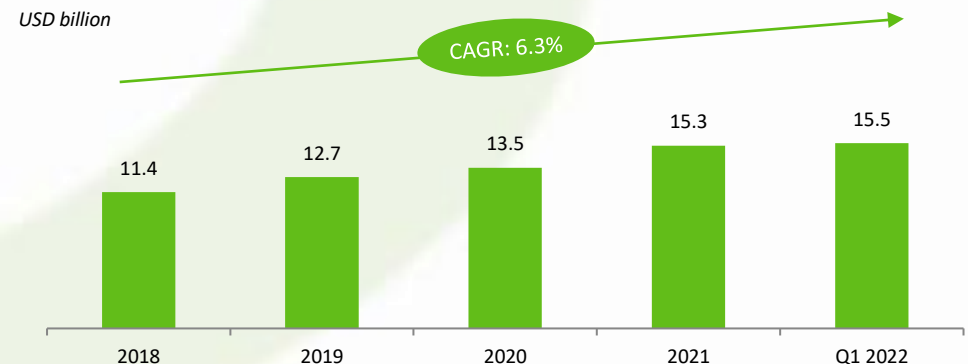


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Business Segments

Retail Banking Group

- Provides banking services to over 285,000 customers as of 31st March 2022
- Network of 64 branches, 121 ATMs, 57 CCDMs, 21 FFMs as of 31st March 2022
- 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 Group

Corporate Banking

- Solid client base with banking services provided to approximately 21,000 corporate customers as of 31st March 2022
- The Corporate Banking department provides services and products tailored to appeal to large corporate customers and growing corporates in Oman and includes project finance and syndication for infrastructure projects
- The Bank's corporate customer base is spread out across a wide range of industries which include trading, manufacturing, services and contracting

Treasury & Investments

- The Treasury & Investments department predominantly manages the funding and liquidity requirements of the Bank. The department also manages the interest rate risk, exchange rate risk, market risk and liquidity risk to which the Bank is exposed to
- The operations of the Treasury & Investments department are arranged by the following desks: Foreign Exchange and Derivatives Sales, Money Market and Inrerbank Desks
- The Bank has recently received a license from the CBO allowing it to sell commodities directly to customers for hedging purposes

Islamic Banking (Maisarah)

- In 2013, the Bank launched Maisarah, under which offers retail, corporate, treasury and investment banking Shari'ah-compliant financial services and products to its customers
- All activities conducted by Maisarah are independent and separate from the Bank's conventional banking operations. To date, the Bank has established an Islamic finance banking team at its head office and has opened 10 dedicated Islamic banking branches (which are exclusively available to its Islamic banking customers)
- Maisarah named Best Islamic Bank in Oman in 2019 (by Middle East Banking Awards, EMEA Finance)



Mar-22	USD mn	% of Total
Total Assets	2,943	25.90%
Net Operating Income	27.2	31.20%



Mar-22	USD mn	% of Total
Total Assets	4,990	43.90%
Net Operating Income	34.7	39.90%



Mar-22	USD mn	% of Total
Total Assets	1,623	14.30%
Net Operating Income	11.5	13.20%



Mar-22	USD mn	% of Total
Total Assets	1,814	15.90%
Net Operating Income	13.7	15.70%

Board Members & Board Committees

Bank Dhofar Board of Directors

Shari'ah Supervisory Board

BEC

Board Executive Committee

BAC

Board Audit Committee

BRC

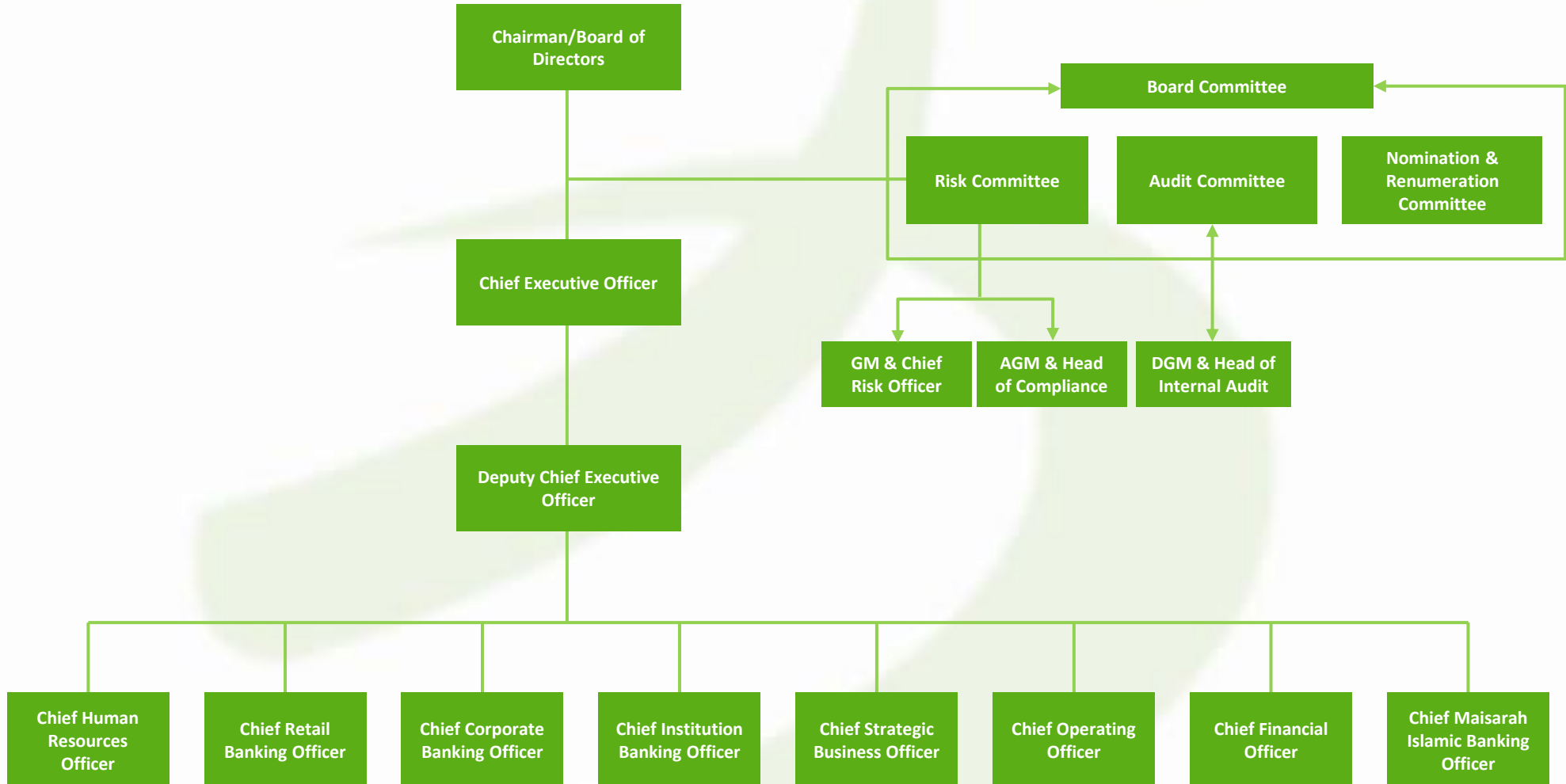
Board Risk Committee

BNRC

Board Nomination & Remuneration Committee

Name of Director	Position	Year of Appointment	Appointment Expiration	Representing
H.E. Eng. Abdul Hafidh Salim Rajab Al Ojaili	Chairman	2022	2025	Himself
Mr. Ahmed bin Said Al Mahrezi	Vice-Chairman	2022	2025	Civil Services Employees' Pension Fund
Sheikh Tariq Salim Mustahail Al Mashani	Director	2022	2025	Qais Omani Establishment
Mr. Mohammed Yousuf Alawi Al Ibrahim	Director	2022	2025	Himself
Mr. Tariq Abdul Hafidh Al Aujaili	Director	2022	2025	Himself
Sheikh Khalid Said Al Wahaibi	Director	2022	2025	Malatan Trading and Contracting LLC
Mr. Ahmed Sultan Rashid Al Yaqoubi	Director	2022	2025	Himself
Mr. Hamdan Abdul Hafidh Hamdan Al Farsi	Director	2022	2025	Public Authority for Social Insurance
Mr. Faisal Mohammed Moosa Al Yousef	Director	2022	2025	Dhofar International

Organizational Structure



“Bank’s Strategic Pillars - enablers to 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 Bank Dhofar 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 Bank Dhofar’s business through inorganic expansion

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

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

Most Recent Awards and Accolades

“Most trusted brand” -
Oman Economic Review Magazine (OER)

“Best Business and Corporate Bank – Oman” -Word Economic Magazine

“Best Investment Bank and Best Commercial Bank” -Finance Derivative Magazine

Asiamoney Middle East acknowledged Bank Dhofar as Best Bank for SMEs and Best Digital Bank in Oman banking sector

- Best Corporate Bank - Sultanate of Oman by International Business Magazine Awards Excellence in Innovative Products & Solutions Award at the Oman Banking & Finance Awards 2021 Best Mobile Banking Application - Sultanate of Oman 2021 by Finance Derivative Magazine Awards Channel innovation runner up award by Infosys Awards
- Bank Dhofar ranked among top 50 banks in the Middle East by Forbes – Middle East
- Best Investment Bank - Sultanate of Oman by Global Banking & Finance Awards
- Straight-Through-Processing (STP) Award by CITI Bank
- Best Digital Bank -Sultanate of Oman by Asiamoney Middle East’s Best Bank Awards 2021 .

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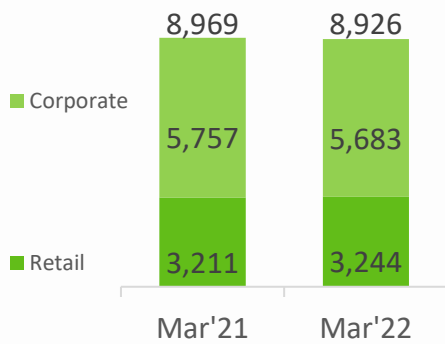


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Gross Loans and Advances

Evolution of Gross loans (FY 2021)

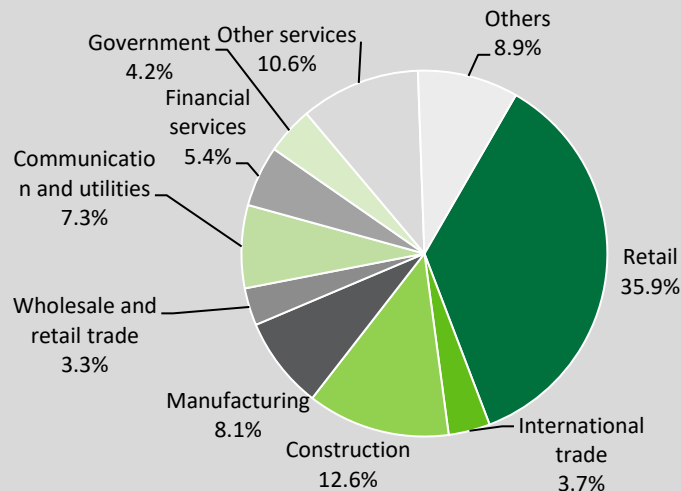
USD million



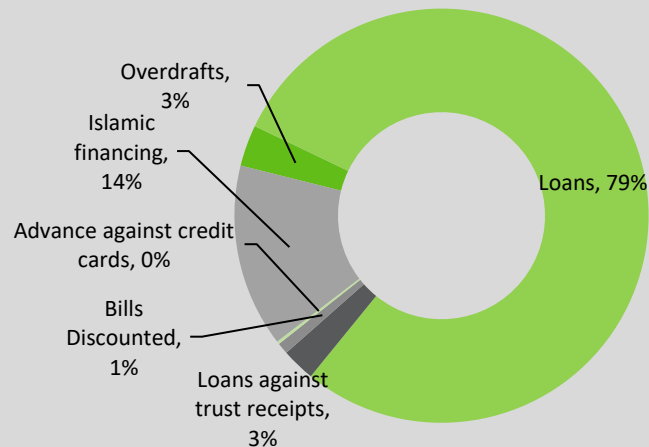
- The Bank is adopting a more conservative lending approach with a focus on credit quality.
- Diversified loan portfolio across the sectors with a strong franchise in retail.

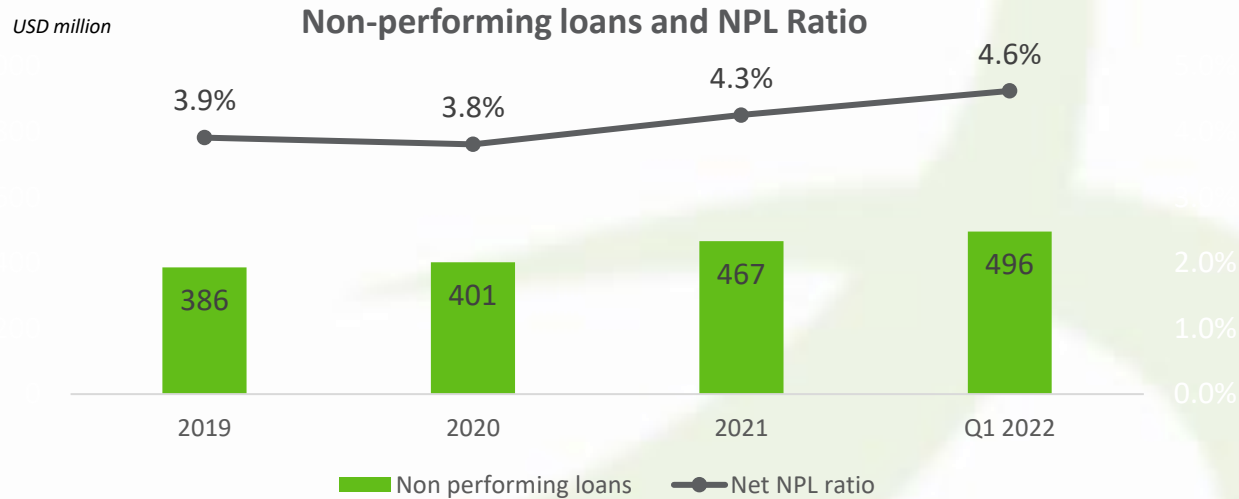
Gross loans composition (FY 2021)

By Sector

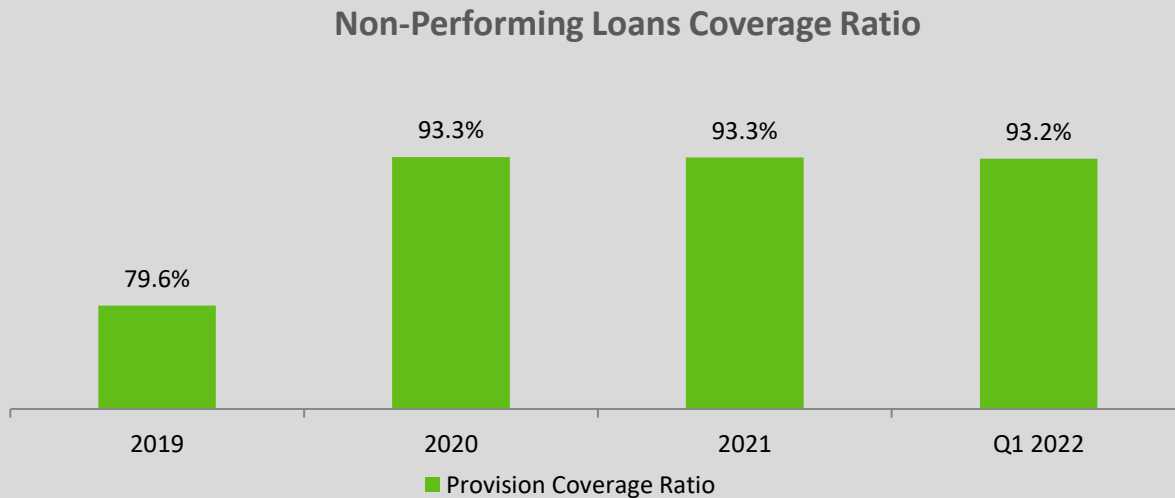


By Product

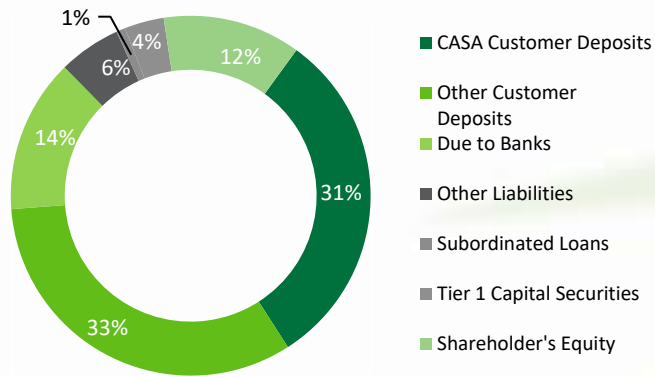




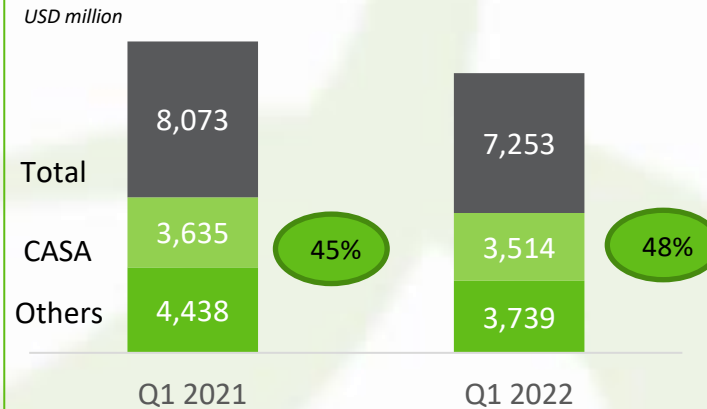
- NPL ratio increased by 0.3% to 4.6% since FY 2021.
- There is an overall increase in the NPL of the industry by 0.9%, making the average industry NPL 3.82%



Funding Mix

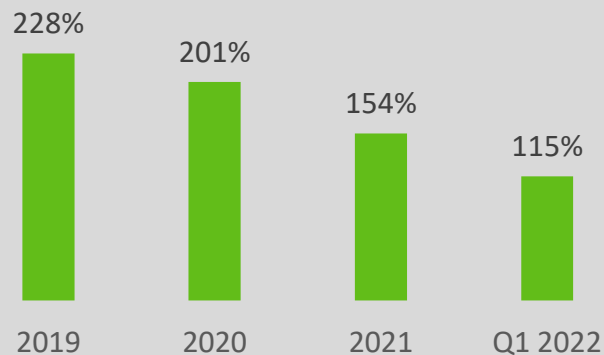


Customer Deposits

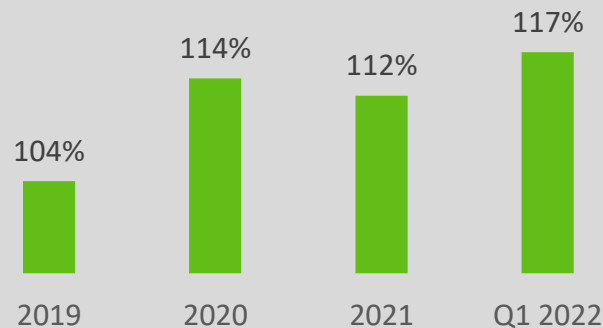


- Stable funding structure with access to diversified sources of funding
- The Bank is primarily deposit-funded with a broadly stable deposit base, including sticky deposits from GREs
- The Bank holds a portfolio of highly liquid investment securities which consists primarily of Omani sovereign instruments, available for repo to obtain immediate liquidity from the CBO if needed

Liquidity Coverage Ratio



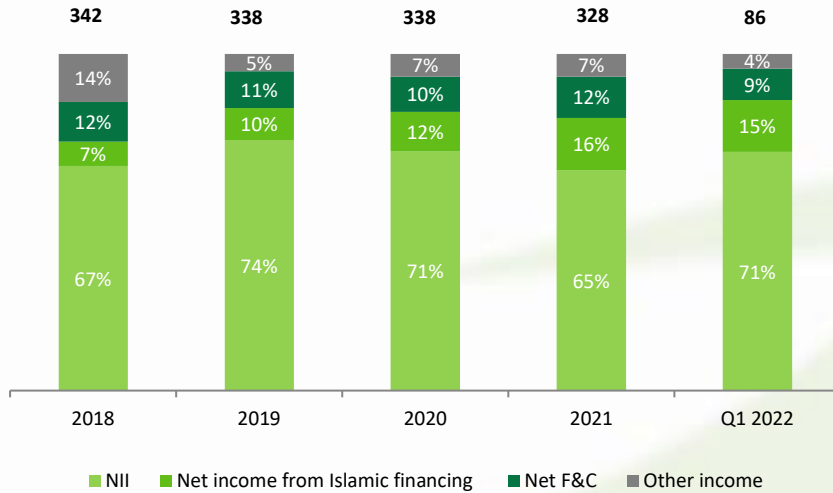
Loans to Deposits Ratio



Profitability and Performance

USD million

Net Revenue Breakdown



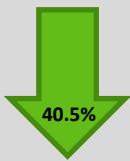
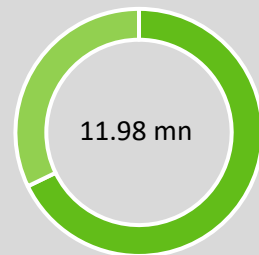
- Operating income has remain relatively stable despite a marginal decrease in net loans, mainly due to lower COF compared to last year.
- Cost to income ratio at 50.9% (Q1 2021-58.3%) has reduced compared to last year but still remained higher than the industry. Bank's investment program with the opening of new, modern branches and technological investments to support its digitalization has driven the cost .
- 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

USD million

Non-Funded Income

Q1 2021

Q1 2022

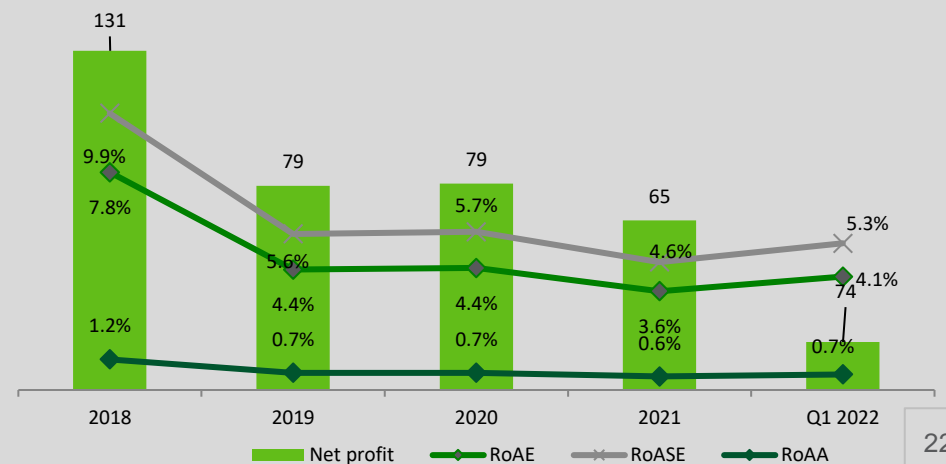


Net F&C Other Income

Net F&C Other Income

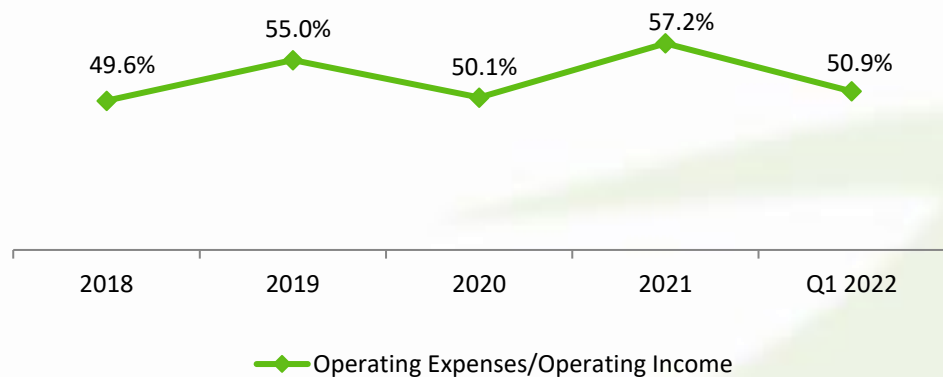
Net Profit and Annualised Return on Average Assets & Shareholders Equity

USD million



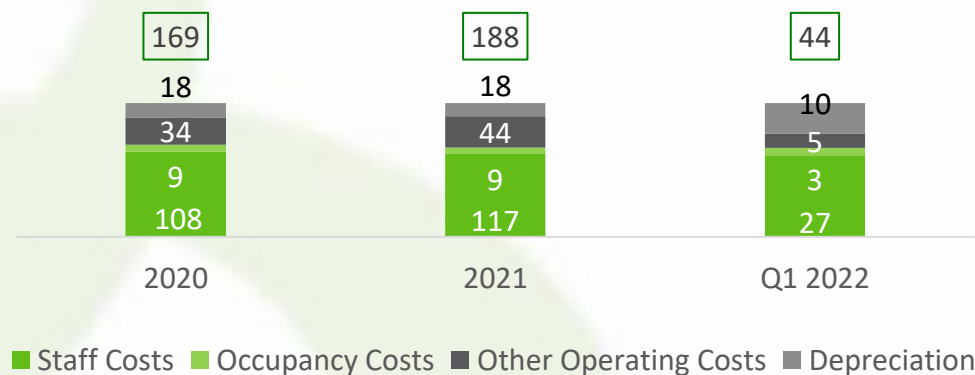
Operating Expenses and Margins

Cost to Income Ratio

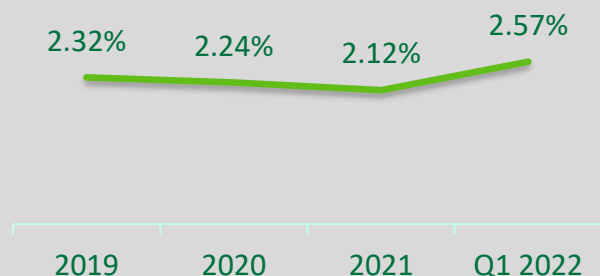


Operating Expenses Breakdown

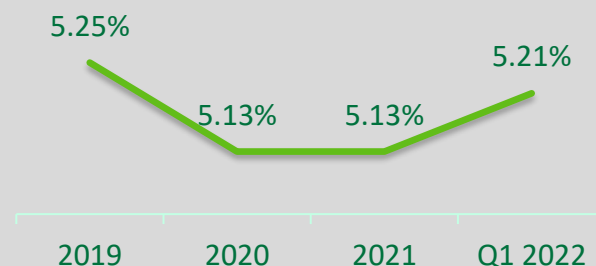
USD million



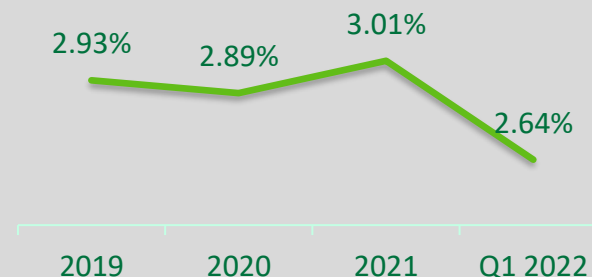
NIM



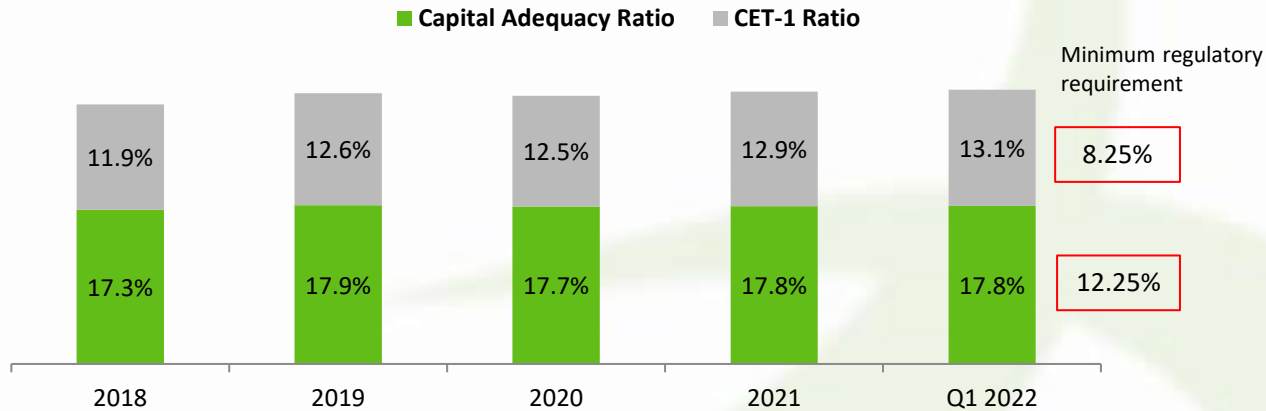
Asset Yield



Cost of Funds



Capitalization Overview



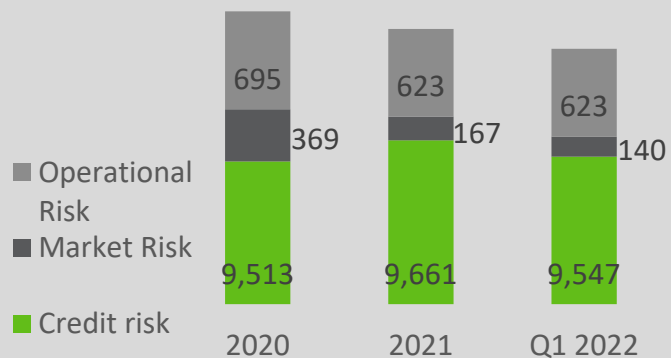
➤ Healthy CAR and a comfortable capital position thanks to a combination of rights issue, retained earnings and balance sheet optimization.

➤ 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

Risk Weighted Assets

USD million



Dividend History (FY 2021)

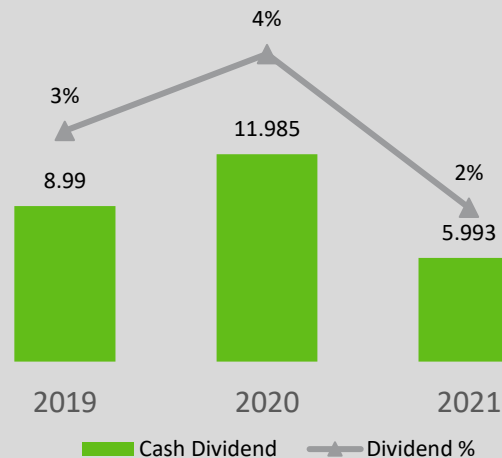


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Balance Sheet

USD millions	2018	2019	2020	2021	Q1 2022
ASSETS					
Cash and balances with Central Bank of Oman	783	780	542	653	376
Loans, advances and financing to banks	855	1224	316	325	604
Loans, advances and financing to customers	8205	7957	8482	8691	8464
Investment Securities	790	983	1189	1159	1297
Intangible asset	2	1	31	33	32
Property and equipment	39	50	25	20	20
Other assets	270	241	473	647	578
Total Assets	10,944	11,236	11,057	11,529	11,370
LIABILITIES					
Due to banks	958	1273	1174	1197	1572
Deposits to customers	7596	7645	7432	7729	7253
Subordinated loans	166	166	91	91	91
Other liabilities	410	370	553	698	640
Total liabilities	9,131	9,454	9,250	9,715	9,556
SHAREHOLDERS' EQUITY					
Share capital	727	778	778	778	778
Share premium	248	248	248	248	248
Retained earnings	154	27	89	75	78
Other reserves	280	324	288	309	305
Total shareholders' equity	1409	1378	1404	1410	1410
Perpetual Tier 1 Capital Securities	404	404	404	404	404
Total Equity	1813	1782	1807	1814	1814
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,944	11,236	11,057	11,529	11,370

* 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	2018	2019	2020	2020	Q1 2022
Interest income	454	473	454	450	112
Interest expense	-226	-222	-215	-235	-50
Net interest income	228	251	240	215	62
Net Income from Islamic Financing and Investment Activities	25	32	40	51	13
Fees and Commission Income	54	48	43	47	11
Fees and Commission Expense	-13	-11	-8	-6	-2
Net Fees and Commission Income	41	37	35	40	8
Other Income	49	17	23	22	4
Operating Income	342	338	338	328	87
Operating Expenses	-170	-186	-169	-188	-44
Profit from Operations	172	152	169	141	43
Provisions for impairments, recoveries and write-backs	-17	-58	-75	-64	-21
Profit from Operations after Provisions	155	94	93	77	22
Income Tax Expense	-25	-15	-14	-11	-3
NET PROFIT FOR THE PERIOD	131	79	79	65	18

* 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