



بنك ظفار
BankDhofar

Investor Presentation Dec 2022

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Table of Contents

Table of Contents



1. Bank Dhofar Overview



2. Operating Environment



3. Business Strategy & Segmental Overview



4. Financial Performance



5. Conclusion

Bank Dhofar at a glance as at 31st December 2022



Total Income

OMR 143 Million ↑ 13% YoY

Net Profit

OMR 34.17 Million ↑ 36% YoY



Net Interest Margin 2.5%

↑ +51bps YOY

Return on Assets 0.8%

↑ +20bps YOY

Return on Sh. Equity 6.2%

↑ +155bps YOY

Return on Adj Equity 4.8%

↑ +123bps YOY



One of the leading Banks in Oman

GRE's/ Pension Funds Shareholding c.25%

Over OMR
524 M

Market Capitalization as of 31st December 2022



Net Loan, Advances and Financing to Customers

OMR
3.4 billion

Deposits

OMR
2.9 billion

Total Assets

OMR
4.3 billion

Social Impact



- 95% of our workforce are Omani
- 14 nationalities of full-time employees
- 43% of our employees are women



Cost to Income Ratio

48.7% ↓ -8.53% YOY

ECL Coverage Ratio

101.0% ↑ +7.69% YOY

Capital Adequacy Ratio

17.6%

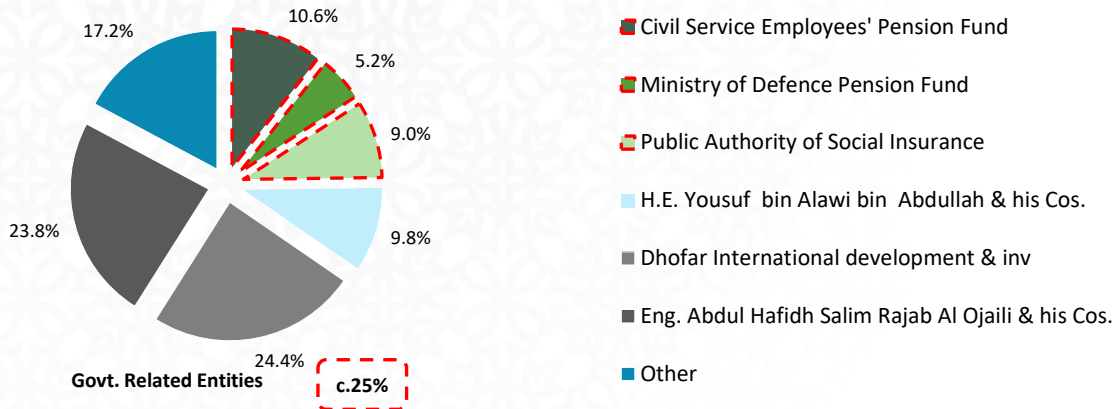
Credit Rating



- Moody's – October 2022
Rated 'Ba3' with outlook positive.
- Fitch – December 2022
Rated 'BB-' with outlook stable.

Ownership Structure & Asset composition

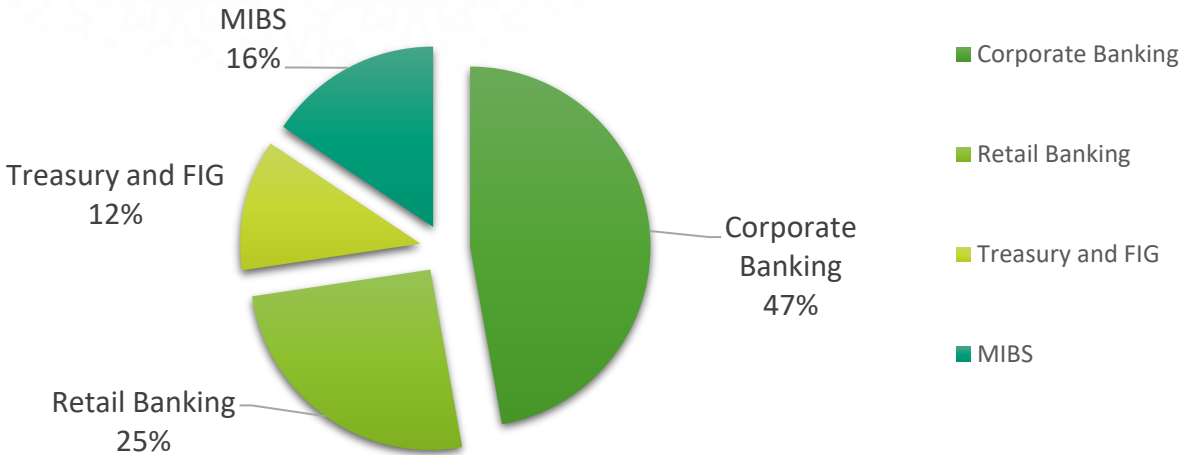
Ownership Structure (as on 31st December 2022)



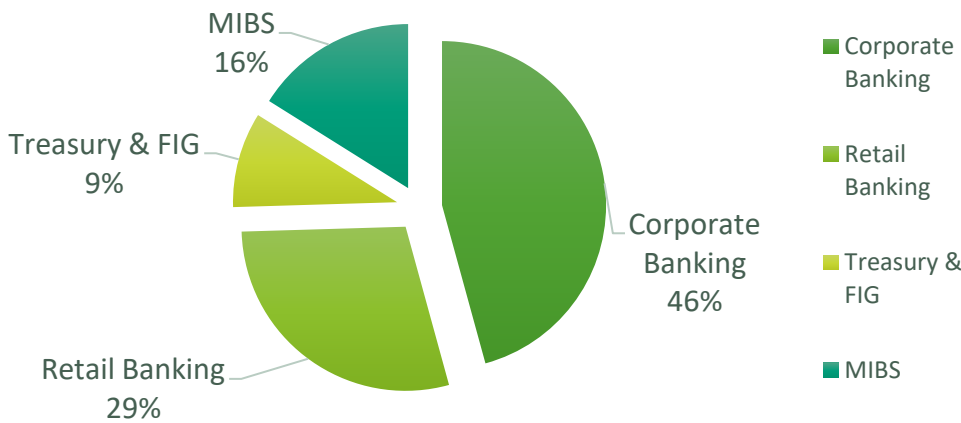
Strong Relations with the Omani Government and GREs

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

Total Assets Segmental Split as of December 2022

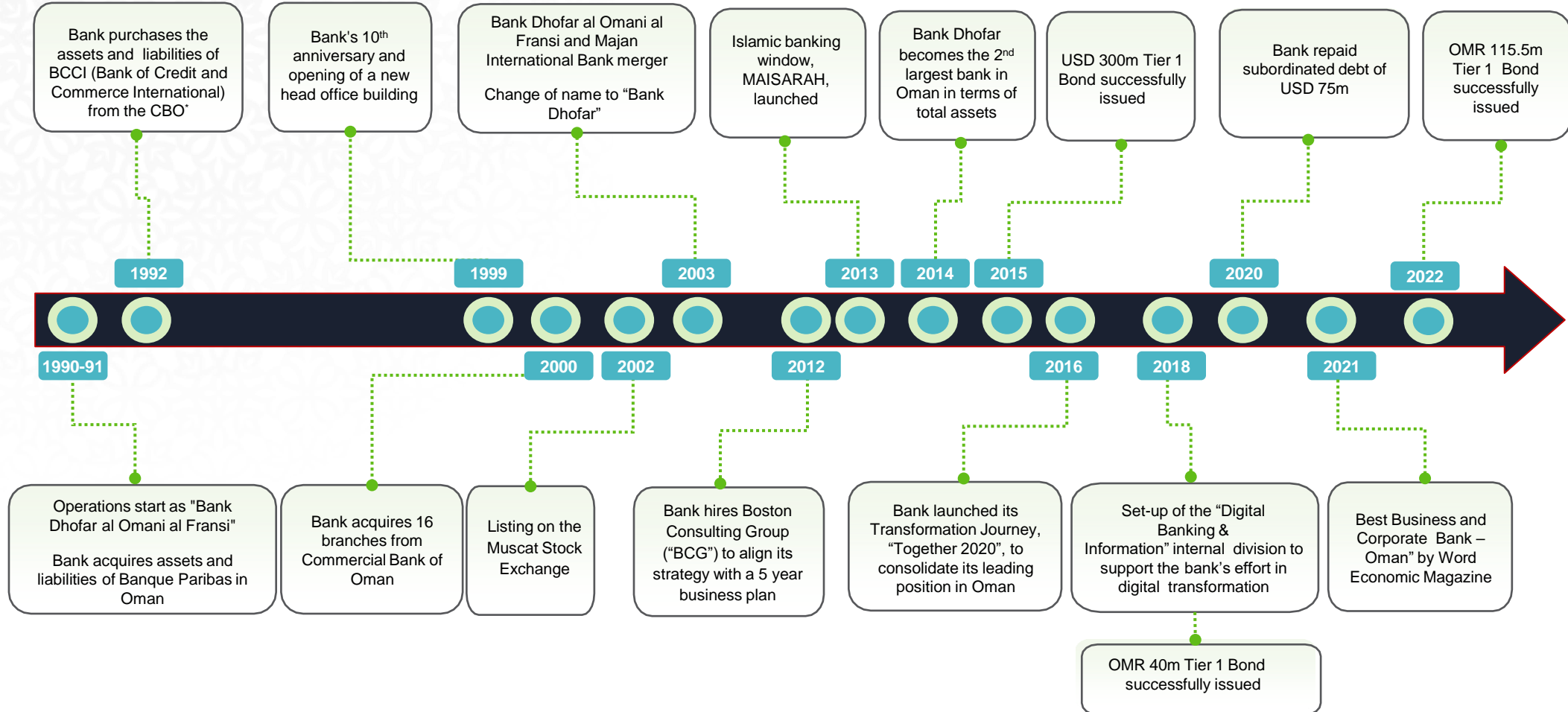


Operating Income Segmental Split as of December 2022



Bank Dhofar's Historic Evolvement

BANK DHOFAR HAS BEEN PROUDLY SERVING OMANI CUSTOMERS SINCE 1990



Bank Dhofar Key Credit Strengths

1. Leading Franchise in Oman

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

6. Experienced & Seasoned Management

- » Experienced and dedicated management team with vast 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 (83 branches (including 16 Islamic branches), 157 ATMs, 78 CCDMs¹, 22 FFMs² and 4 MFKs³)
- » Continuous branches modernisation with introduction of multi-function kiosk machine for convenient banking 24/7
- » Market-edge internet banking and mobile banking in Oman

4. Solid and Robust Capitalisation

- » Strong capital position with CAR at 17.61% and CET1 at 12.91% as of December 2022, which are well above the minimum regulatory requirements (12.25%⁴ and 8.25% respectively)
- » The Bank has been consistently paying dividends over the past 16 years
- » Strong shareholder base which has consistently supported the bank's capital position

2. Government Ownership

- » The Government Related Entities owns c.25% of Bank Dhofar share capital
- » High probability of support from the government, if required, given Bank Dhofar's systemic importance for the country

3. Stable and Growing Operating Environment

- » Stable banking sector
- » Prudent regulatory environment
- » Stable political system in the Oman with excellent diplomatic relationship in the region and around the globe
- » Positioned to benefit from growth in Oman with economic diversification, favorable population demographics and clear policy measures.

1. Cash and Cheque Deposit Machines ("CCDMs")
 2. Full Function Machines ("FFMs")
 3. Multi-Function Kiosk ("MFKs")
 4. Including capital conservation buffers

Table of Contents

Table of Contents

1. Bank Dhofar Overview

2. Operating Environment

3. Business Strategy & Segmental Overview

4. Financial Performance

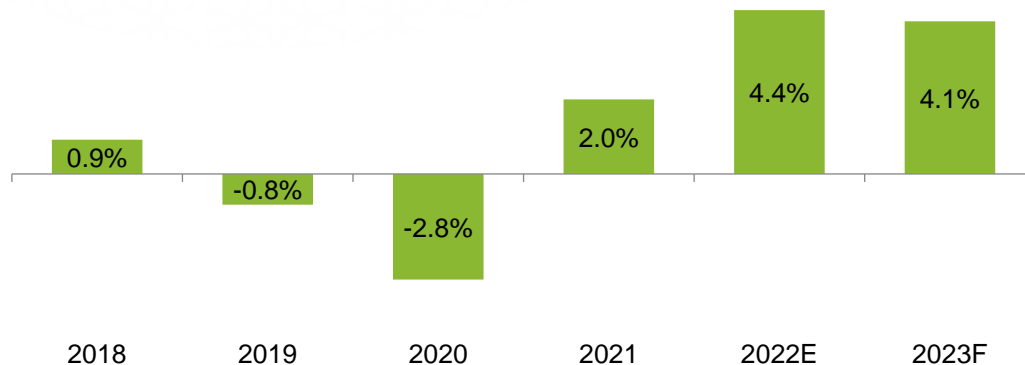
5. Conclusion

Overview of Sultanate of Oman

Overview

- **Oman - 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** – Oman continues to follow peace-making foreign policy with focus on developing its economy
- **Population of ~4.98mn** - predominantly represented by Omani Nationals account for 65% 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 projected to reach 4.1% 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
- **“Medium Term Fiscal Plan (MTFP) 2020-24”** MTFP has borrowed the four objectives from Vision 2040 to articulate the MTFP. These objectives included economic diversification, creating investment chain value, governance of state-owned entities and social well being.

Real GDP Growth²



2. Source: IMF Staff Report – November 2022

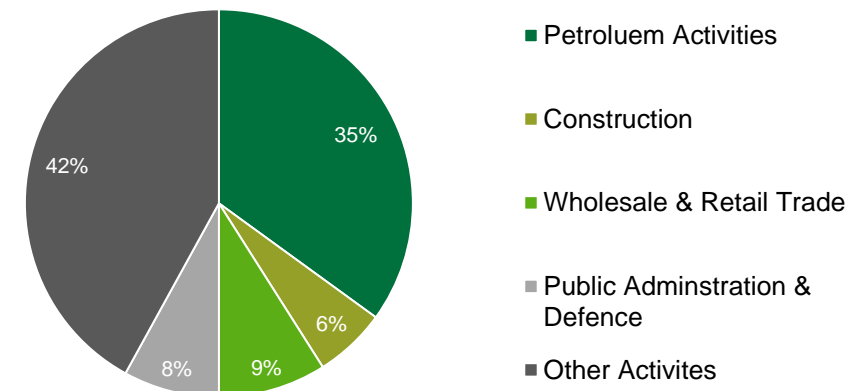
Key Figures



Key Indicators	Dec-22
Sovereign Ratings (Moody's / S&P / Fitch)	Ba3/BB/BB
Gross Domestic Product	USD 108.9bn ¹
Gross Domestic Product Per Capita	USD 23,541 ¹
Inflation	2.06%
Population	4.98 million

1. Source: 1. IMF World Economic Database 2. Trading Economics

GDP Composition (June 2022)³



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

Omani Banking Sector

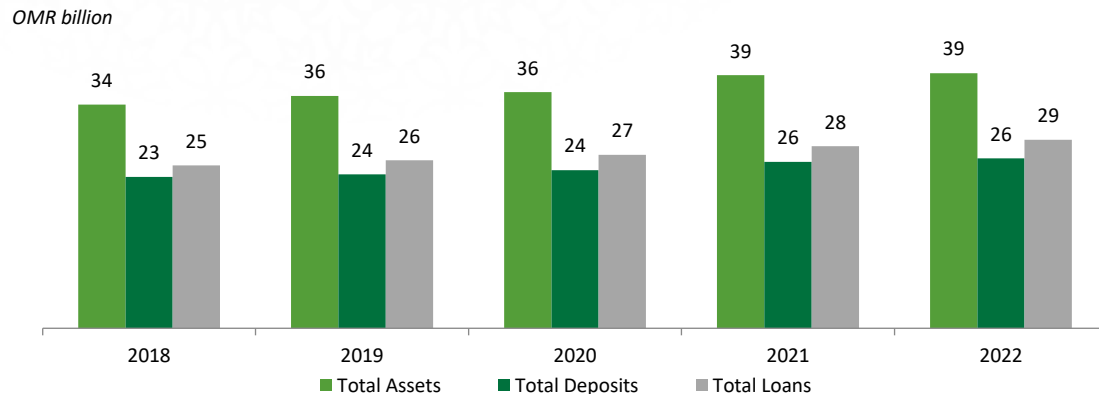
Overview of the Omani Banking Sector

- ▶ 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 OMR 39 billion in October 2022.
 - ▶ OMR 33 billion for conventional banks and OMR 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 Framework set by The Central Bank of Oman (“CBO”)

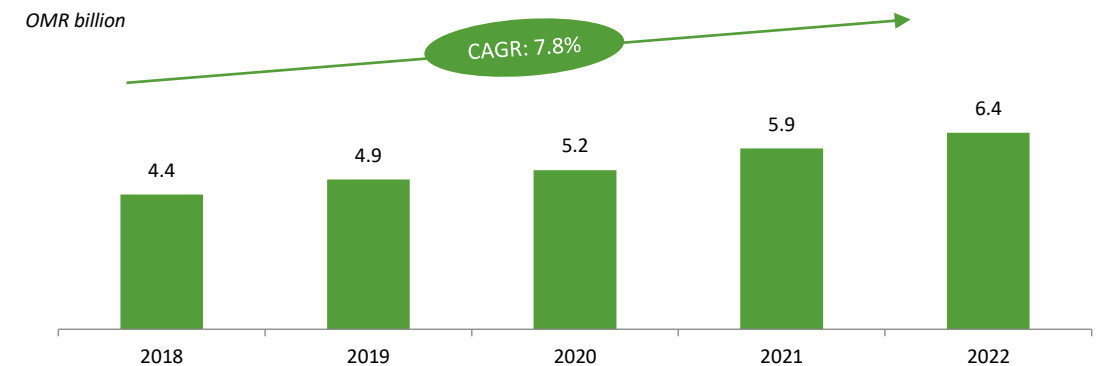
- ▶ Several regulatory and supervisory initiatives have been implemented by the CBO to develop a competitive and sound banking system
- ▶ Robust bank capitalization levels
 - ▶ Implementation of Basel III regulation
 - ▶ Introduction of a Prompt Corrective Action framework (the PCA) in 2005, which makes 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 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



Source: CBO Monthly Statistical Bulletin December 2022

Islamic Banking Assets of Omani Banks



Source: CBO Monthly Statistical Bulletin December 2022

Table of Contents

Table of Contents

1. Bank Dhofar Overview

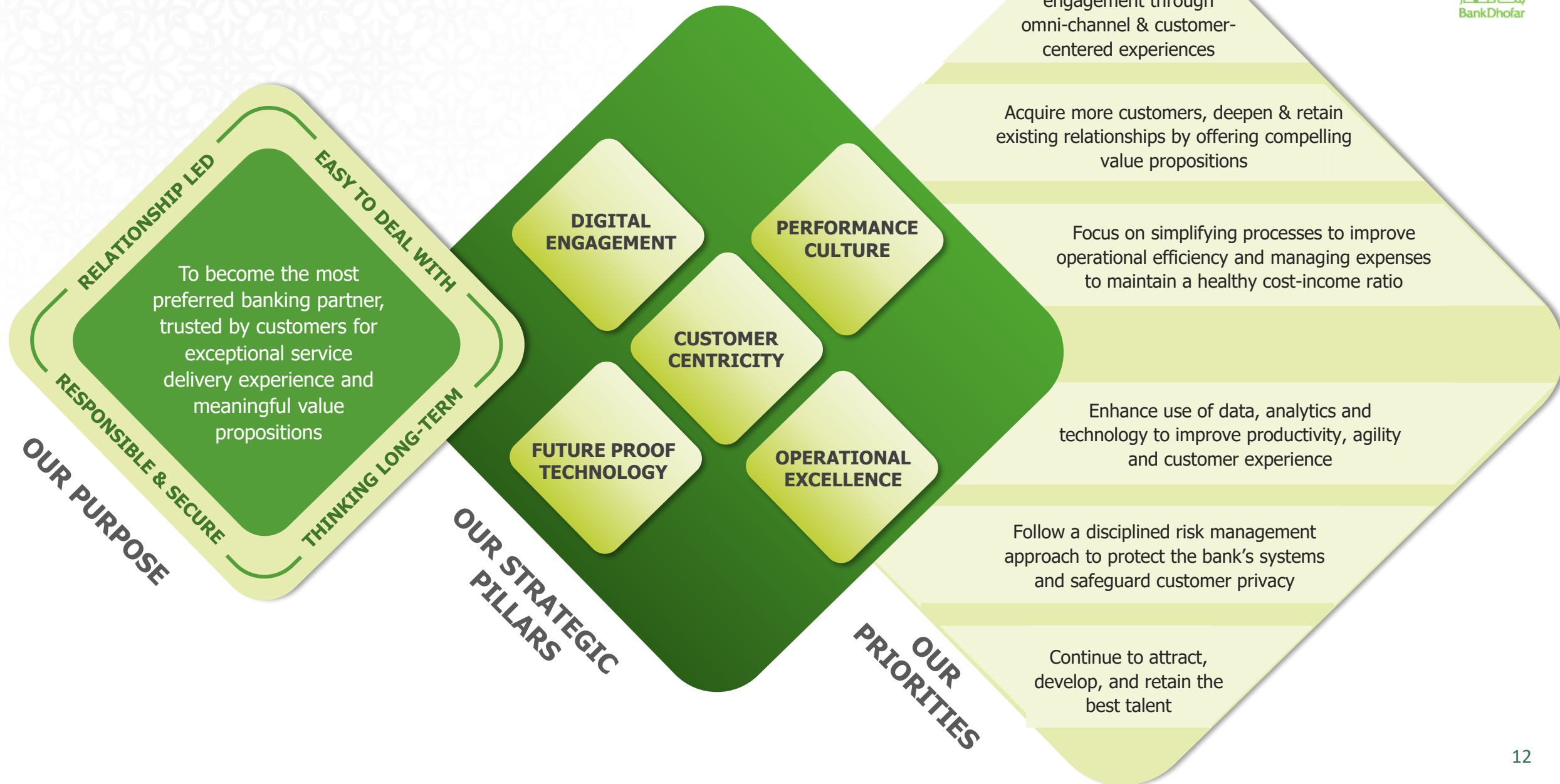
2. Operating Environment

3. Business Strategy & Segmental Overview

4. Financial Performance

5. Conclusion

Bank Dhofar Strategy



Business Segments

Retail Banking Group

- Provides banking services to over 307,000 individual customers as of 31st December 2022
- Network of 83 branches (including 16 Islamic branches), 157 ATMs, 78 CCDMs¹, 22 FFMs² and 4 MFKs³)
- Wide range of products and services tailored to retail customers needs, including deposits, lending, education loans, debit and credit cards, priority banking, Hawa ladies banking, Youth and Student Banking, savings products and bancassurance
- In addition to branch and ATM expansion 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 Government & Investment

Corporate Banking

- Solid client base with corporate banking products and services provided to approximately 23,000 corporate/SME customers as of 31st December 2022
- The Corporate Banking department provides services and products tailored to attract 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

Government and Investment Banking

- Government Banking (GB) Department is one of the key business units within the Bank, mainly focused on mobilization of deposits (liability products) from both Government and Quasi Government institutions.
- The Bank is strengthening its investment banking activities and recently established a propriety investment department.
- The horizon of services will be also expended to provide assets management, private banking and corporate advisory services.

Treasury & Financial Institutions (FI)

- The Treasury & FI department 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 & FI department are arranged by the following desks: Foreign Exchange and Derivatives Sales, Money Market and Interbank.
- The Bank is also engaged in commodity trading for its customers as per the CBO guidelines.

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 16 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)

Dec-22 - Retail	OMR mn	% of Total
Net Profit	6.124	18%
Operating Income	41.211	29%

Dec-22 – Wholesale, Government & Investment	OMR mn	% of Total
Net Profit	12.025	35%
Operating Income	65.475	46%

Dec-22 – Treasury & FI	OMR mn	% of Total
Net Profit	8.933	26%
Operating Income	13.433	9%

Dec-22 – Islamic Banking	OMR mn	% of Total
Net Profit	7.091	21%
Operating Income	23.033	16%

Table of Contents

1. Bank Dhofar Overview

2. Operating Environment

3. Business Strategy & Segmental Overview

4. Financial Performance

5. Conclusion

Overall Financial Performance

(for the period ended December 2022)

1

Balance Sheet

OMR million	Dec-21	Dec-22	Change
Net Loans, advances, and financing to customers	3,346	3,430	3%
Investment securities	446	469	5%
Total Assets	4,439	4,317	-3%
Customers' Deposit	2,976	2,892	-3%
Total Equity	699	717	3%
Total liabilities and equity	4,439	4,317	-3%

2

Income Statement

OMR million	Dec-21	Dec-22	Change
Operating Income	126	143	13%
Operating Expenses	(72)	(70)	-4%
Profit before Impairment & Tax Charges	54	73	36%
Impairments	(25)	(33)	35%
Income Tax	(4)	(6)	39%
Net Profit	25	34	36%

3

Key Ratios

	Dec-20	Dec-21	Dec-22
Total Capital Adequacy	17.70%	17.74%	17.61%
CET1	12.45%	12.89%	12.91%
Non-Performing Loan Ratio	4.53%	5.11%	5.87%
ROSHE	5.71%	4.64%	6.19%
ROE (including AT1)	4.43%	3.60%	4.83%
ROA	0.71%	0.58%	0.78%
Net Interest Margin	2.35%	2.01%	2.51%
Cost to Income Ratio	50.06%	57.21%	48.68%
Net loan to customers Deposits	114.13%	112.45%	118.63%

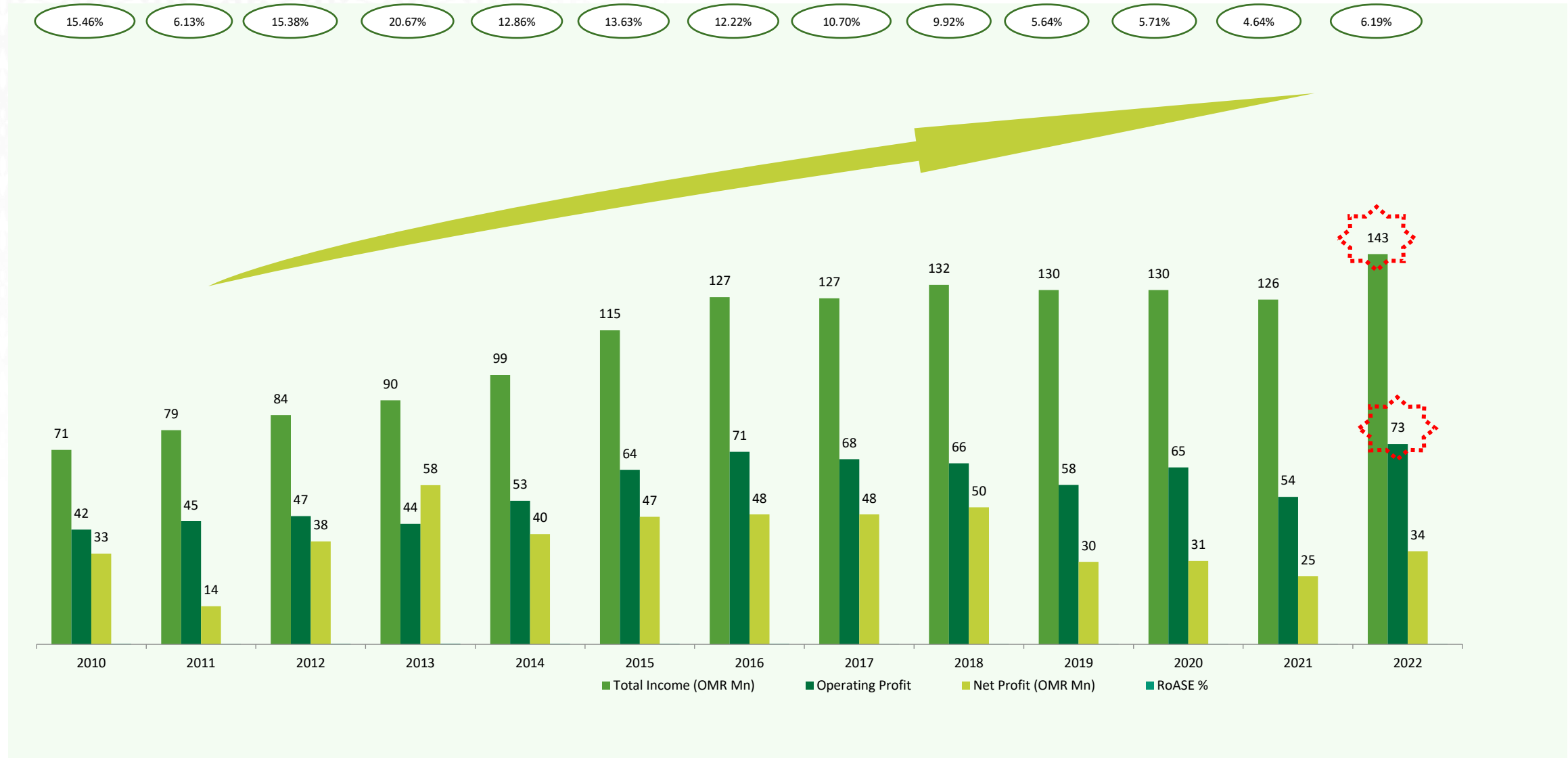
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Highlights

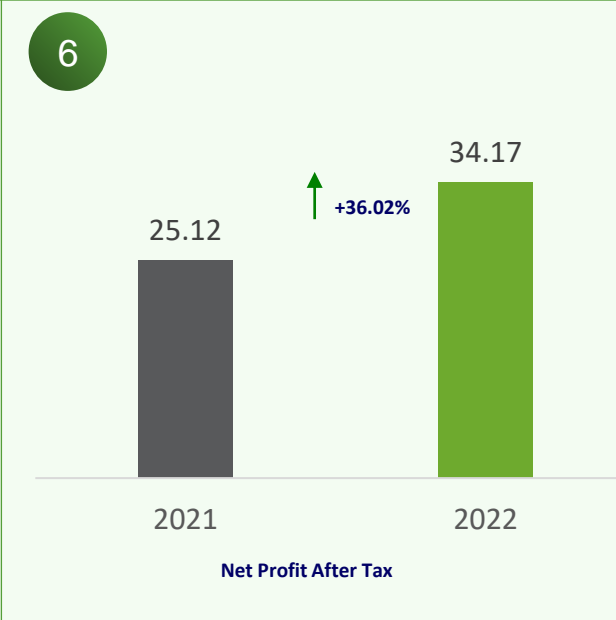
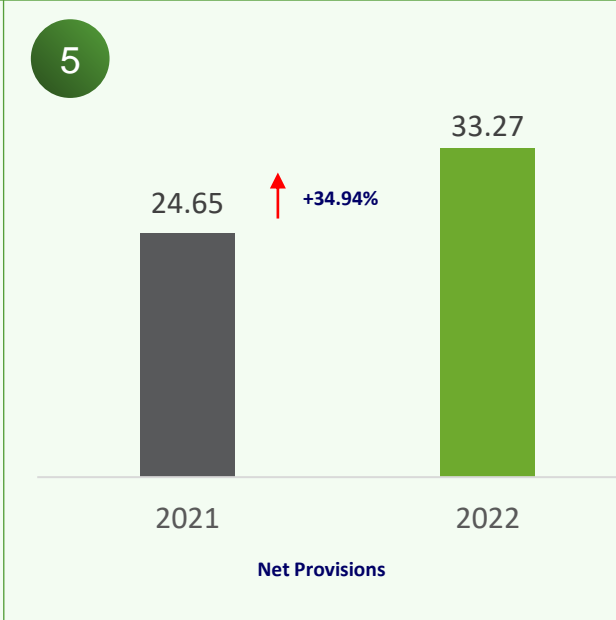
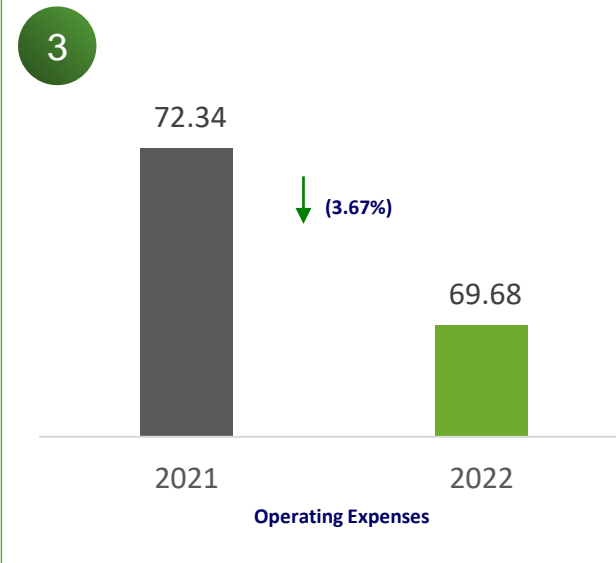
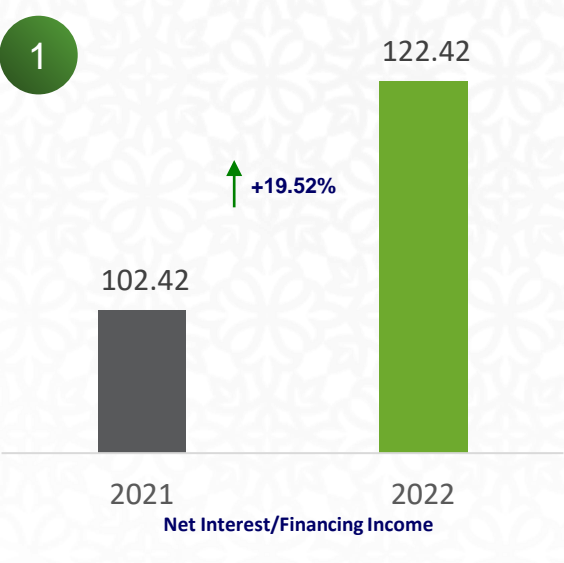
- **Second largest listed bank in Oman** by total assets of OMR 4.32 billion and 1,509 employees as of Q4 2022.
- **Market share in Oman** Assets (12%) Loans (12%) Deposits (11%)
- **Strong capital position** with CAR at 17.61% and CET1 at 12.91% as of December 2022, which are well above the minimum regulatory requirements (12.25% and 8.25% respectively)
- **Bank's Operating profits** increased from RO 54.11m [Dec-21] to RO 73.47m [Dec-22] an increase of 35.79%

Consistently profitable due to diversified and resilient business model

Highest ever Total Income & Operating Profit



Consolidated Profit and Loss Statement at a Glance.



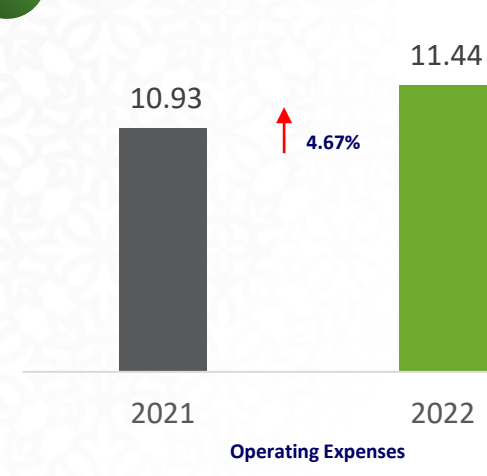
- Total operating income YTD Dec-22 is OMR 143.15 Million, which increased by 13.21% as compared to OMR 126.45 Million recorded during YTD Dec-21.
- Total operating profit YTD Dec-22 is higher than YTD Dec-21 by 35.79%.
- The YTD net profit is higher by 36.02% when compared with OMR 25.12 million achieved YTD Dec-21.
- There has been an increase of 34.94% of net provision for impairment made during Dec-22 compared to Dec-21.

Islamic Window at a Glance.

1



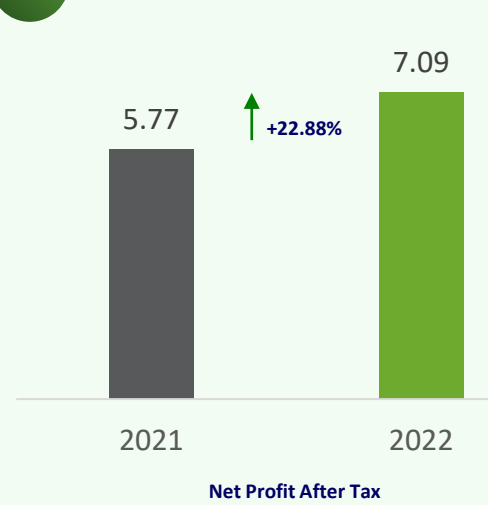
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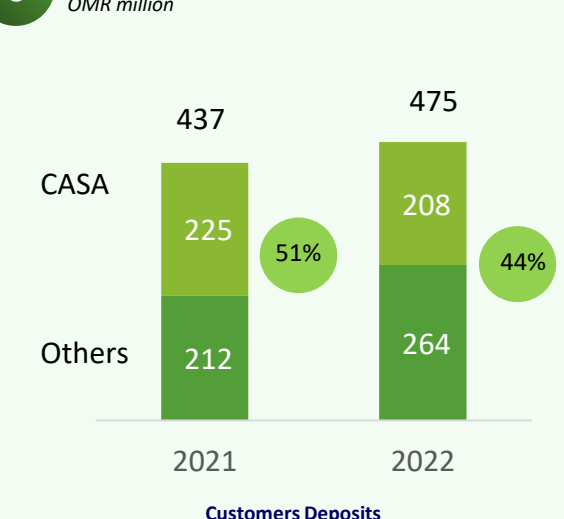
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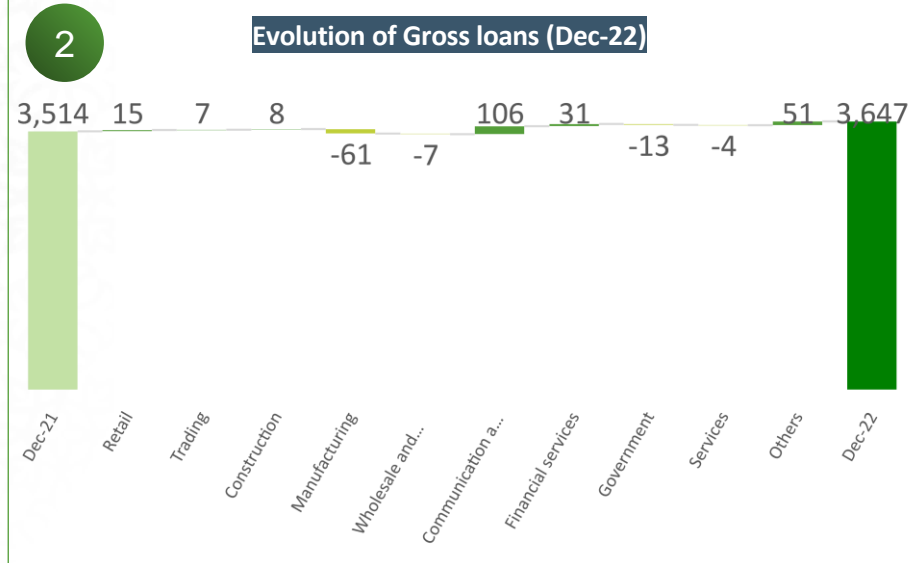
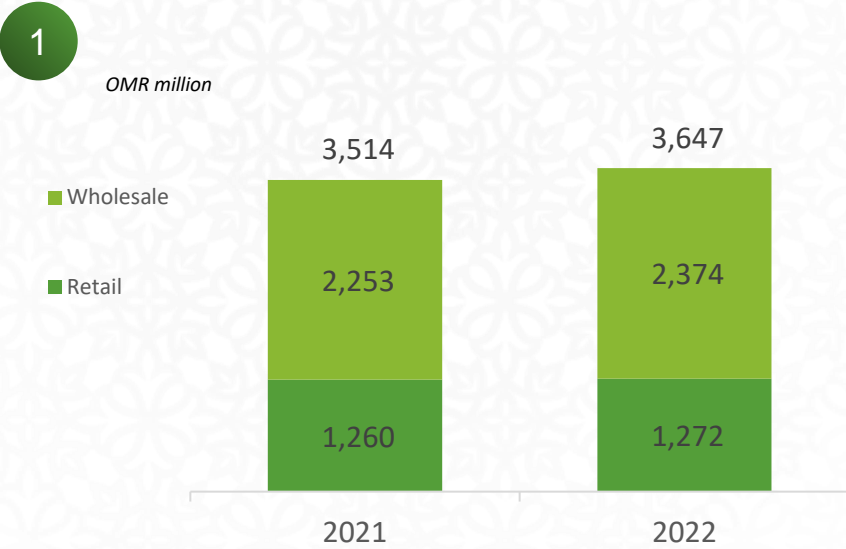


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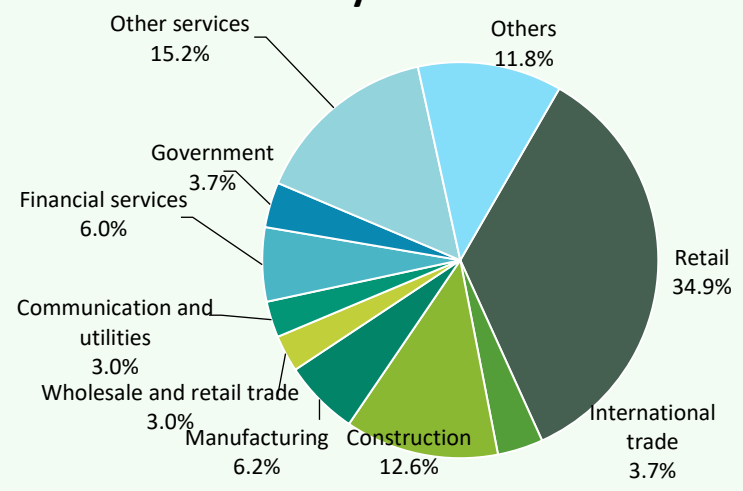


- Gross Financing OMR 555 M.**
↑ +10.8% YOY
- Total Deposit OMR 472 M.**
↑ +8.1% YOY
- Cost to Income Ratio**
49.7%
- Return on average equity**
7.7% ↑ +72bps YOY
- NPL Coverage Ratio%**
207.9%
- Net Interest Margin 2.8%**
↑ +15bps YOY
- Market Share**
Assets (11%); Loans (10%); Deposits (10%)

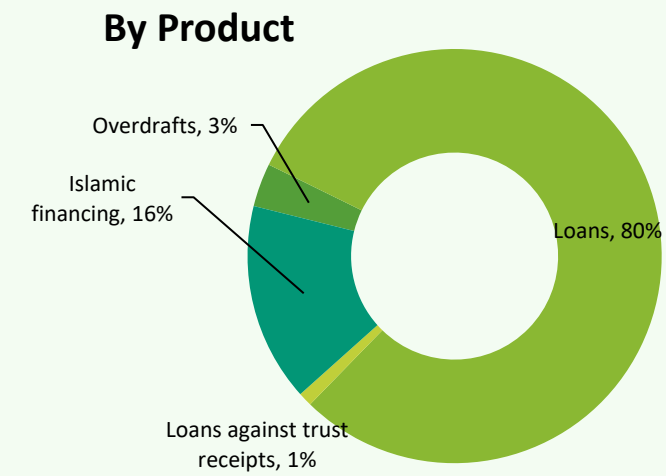
Gross Loans and Advances



3 Gross loans composition (Dec-22)



4



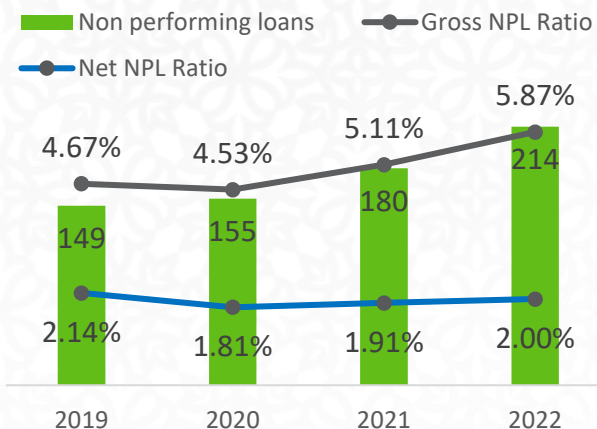
- The Bank is adopting a more conservative lending approach with a focus on credit quality.
- Diversified loan portfolio across sectors with a strong franchise in retail.
- The Bank witnessed a growth in loan book of 4% during the year 2022.

Credit Quality

1

Non-performing loans and Gross NPL Ratio

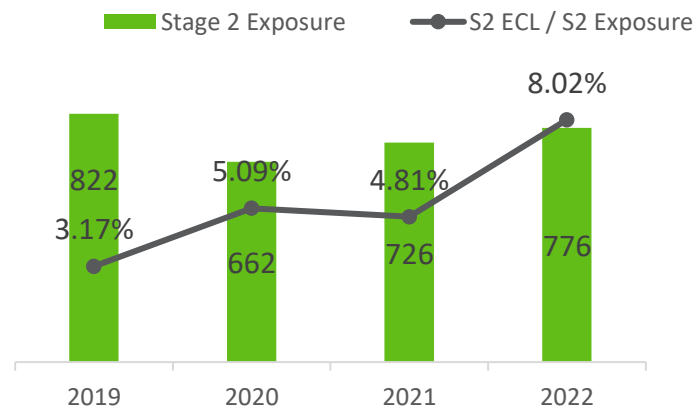
OMR million



3

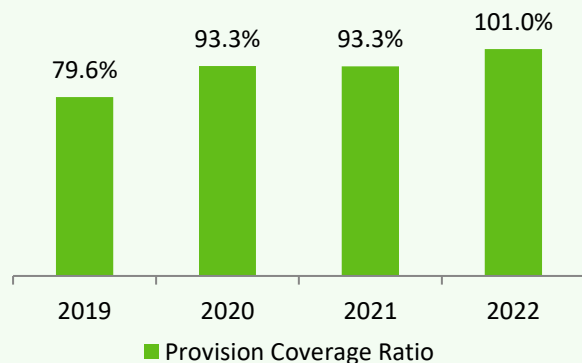
Stage 2 Exposure & ECL

OMR million



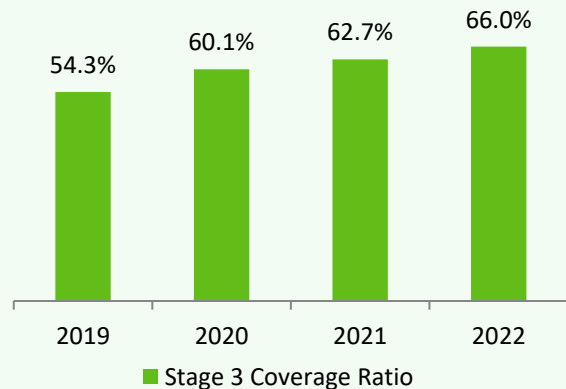
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Non-Performing Loans Coverage Ratio



4

Stage 3 Coverage Ratio *



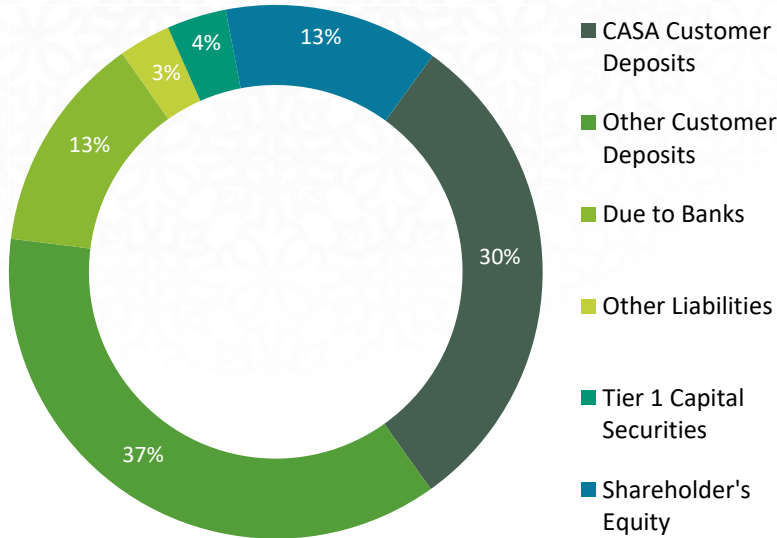
- Gross NPL ratio stood at 5.87%
- Net NPL (net of interest reserve & ECL) has slightly reduced to 2.00% from 2.14% in 2019
- NPL coverage ratio (total funded ECL stage 1,2&3 against funded stage 3 NPL) continues to improve and stood at 101% as at the end of Dec-22 from 79.6% in 2019.
- Stage 2 ECL to Exposure ratio has increased to 8.02% from 3.17% in 2019.
- Stage 3 coverage ratio up to 66.00% on higher provision during the years.
- Post Covid restructuring led to an increase in the restructured loan to OMR 570M in 2022 from OMR 210M in 2021.

* Total funded ECL stage 3 against funded stage 3 Exposure

Funding & Liquidity

1

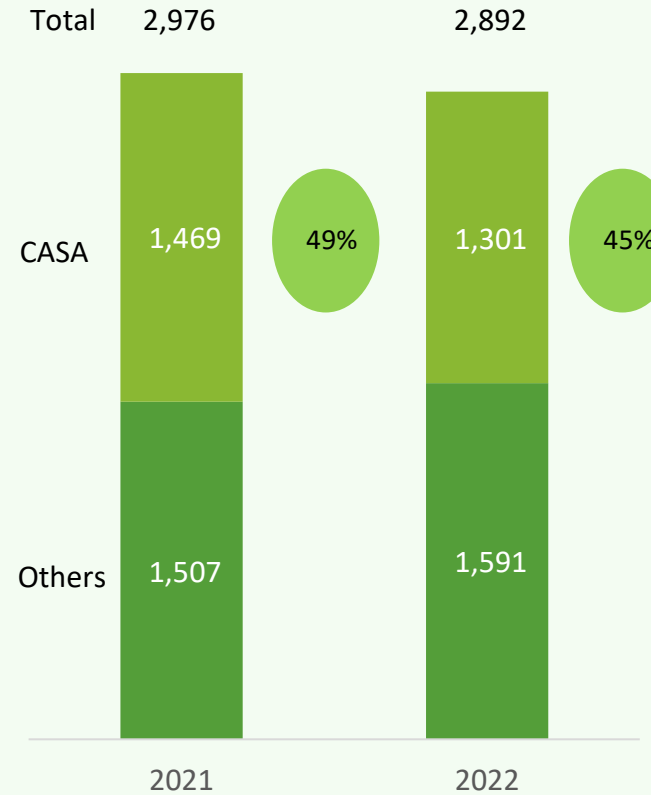
Funding Mix



2

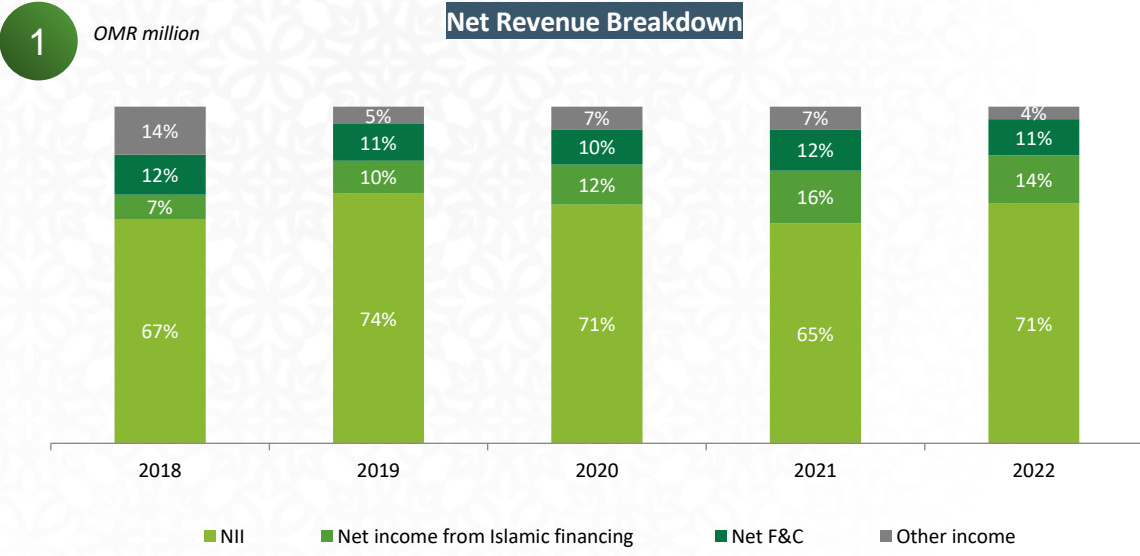
OMR million

Customer Deposits



- Customer deposits marginally skewed towards term deposits with CASA's constituting 45% of the total deposits.
- Stable funding with access to diversified sources of funding
- The Bank is primarily customer deposit-funded with a broadly stable deposit base, including sticky deposits from GREs
- The Bank holds a portfolio of highly liquid investment securities mainly Omani sovereign instruments, available for repo, if needed
- Liquidity Coverage Ratio (LCR) is 107.71% and Net Stable Funding Ratio (NSFR) is 107.95% as of 31st December 2022.

Profitability and Performance

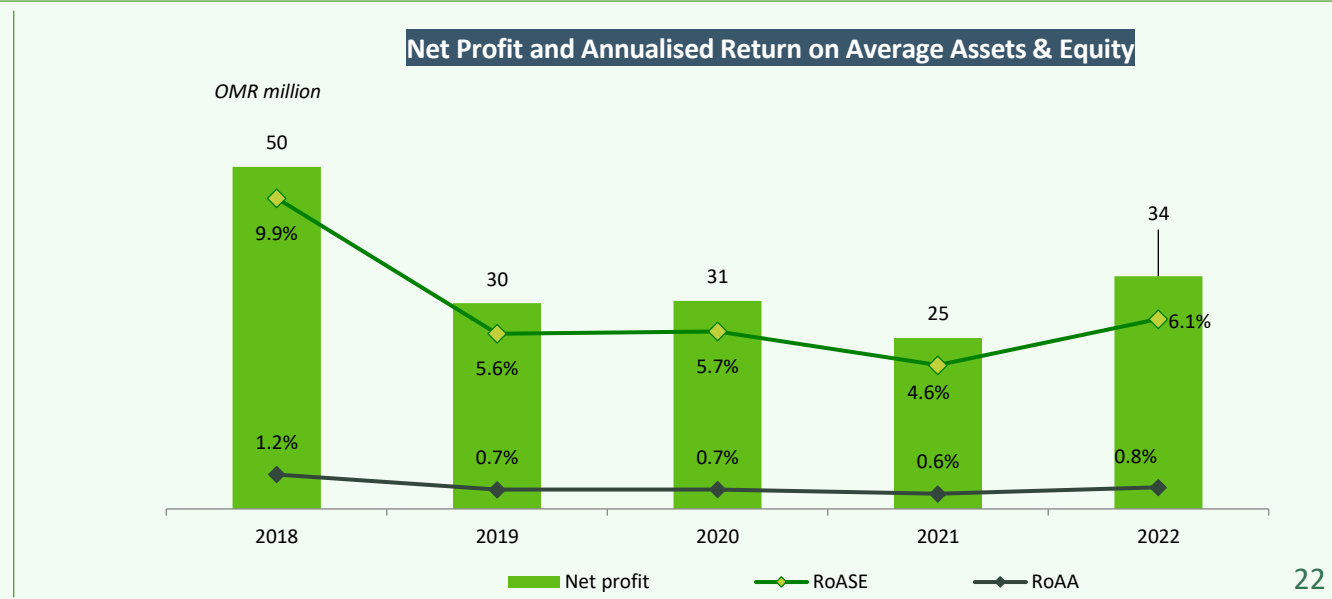


- Operating income has remained relatively stable in previous years. The income has started improving in the year 2022 mainly due to higher yields & lower COF as compared to previous years.
- The consolidated net profit for the year ended 2022 recorded growth of 36% to reach RO 34 million compared to RO 25 million for the financial year 2021.
- Increase in net provisions as the Bank continues to prudently make provisions to improve coverage ratios.

2 **Non-Funded Income**

Non-funded income (OMR'000)

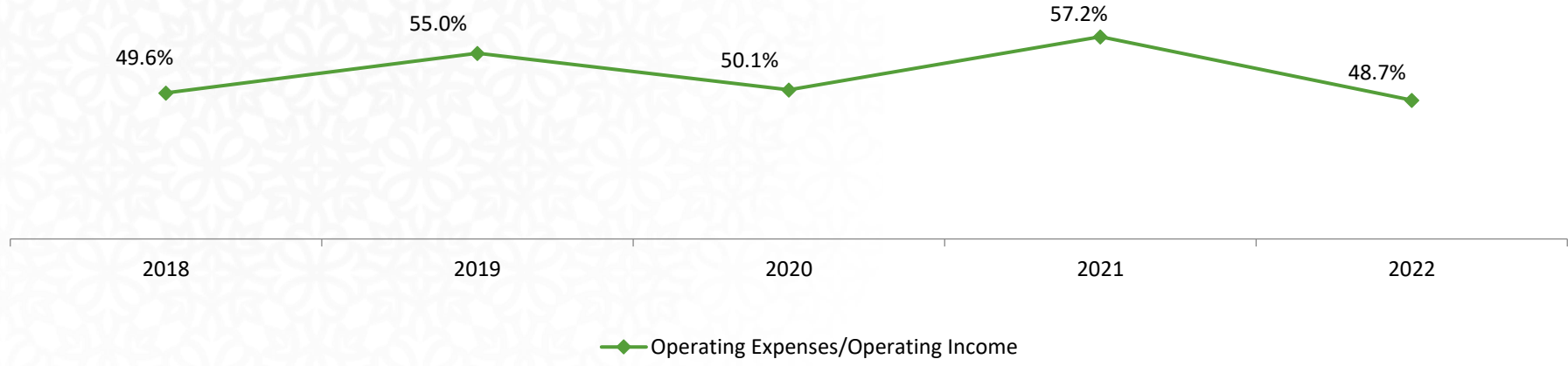
	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
Net fees & commission income	15,604	14,227	13,589	15,447	14,892
Miscellaneous income	2,945	1,967	1,587	1,291	2,693
Total fees & commission	18,549	16,194	15,176	16,738	17,585
FX & Investment income	4,549	4,712	7,177	7,285	3,151
Total Non-funded income	23,098	20,906	22,353	24,023	20,736



Operating Expenses

1

Cost to Income Ratio



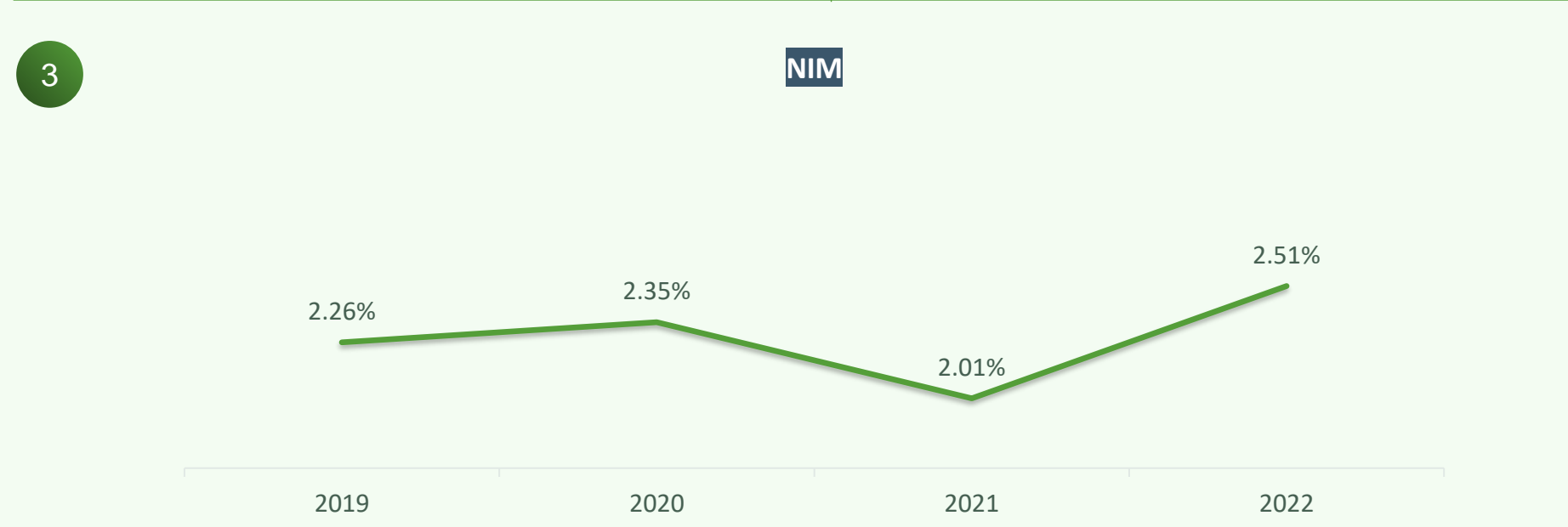
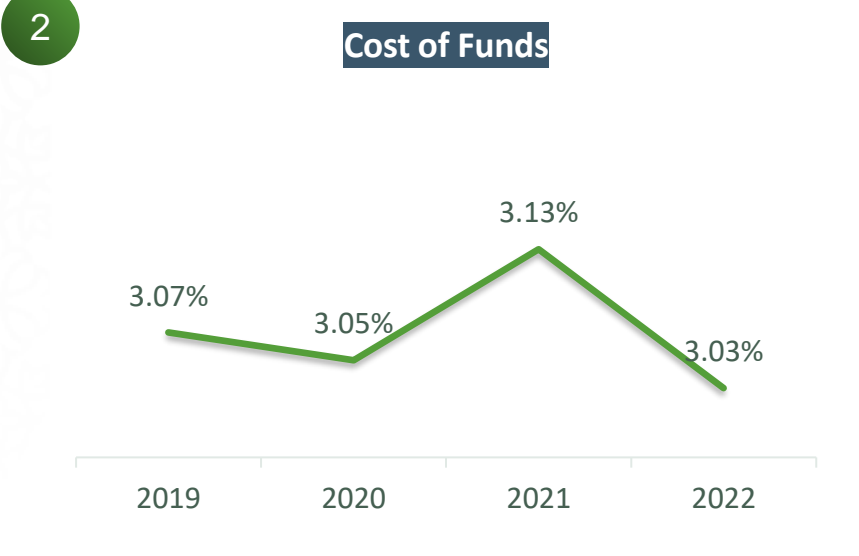
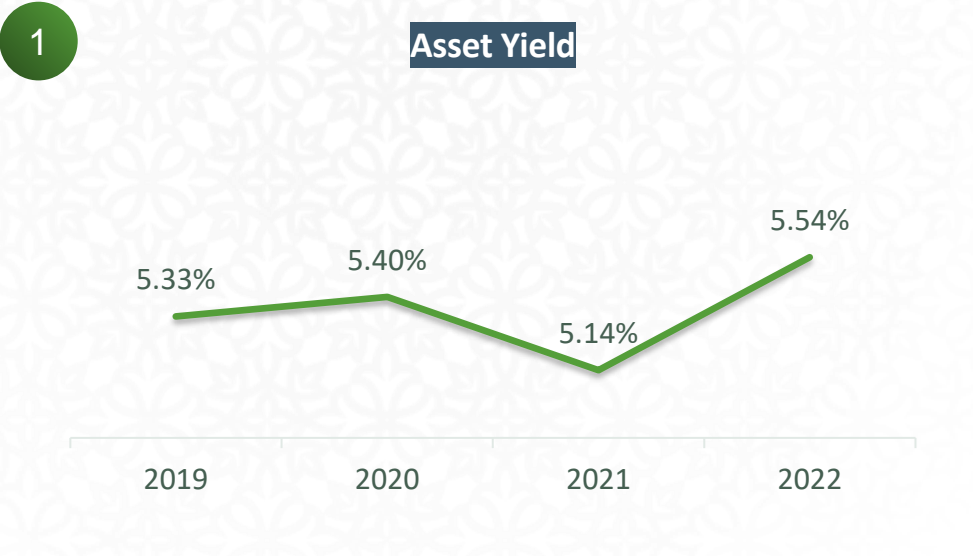
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Operating Expenses Breakdown



- Bank's operating expenses for year 2022 lower by 3.67% at RO 69.68 million from RO 72.34 million in 2021.
- The improvement in cost to income ratio due to increased operating income and active cost management.
- The bank has made significant investments in technology and streamlining operations to improve controls and efficiency.
- The benefit of these investments will accrue in the coming years and is expected to further improve the cost to income ratio.

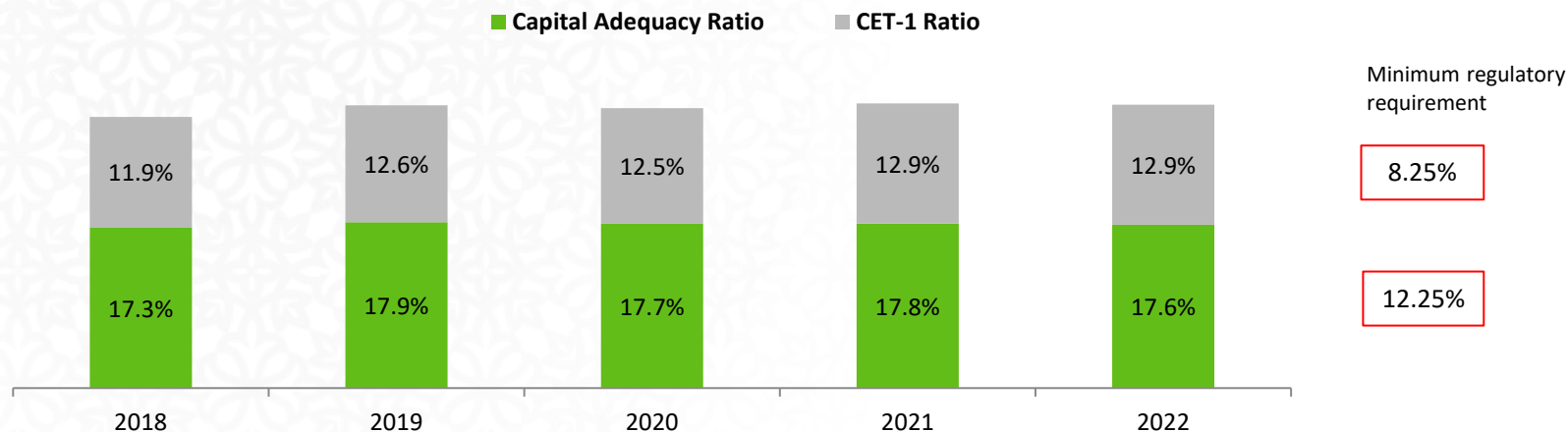
Yield, COF & NIM Analysis



- The Yield has increased by 0.40%; Cost of Funds decreased by 0.10%; NIM's increased YTD by 0.50%.
- The Bank has initiated steps to monitor and improve the Bank's interest yield and is also closely monitoring the cost of funds.
- Bank is actively managing NIM's and COF that has led to an increase in Net interest Margins

Capitalization Overview

1



➤ Robust CAR and a comfortable capital position thanks to a combination of shareholder's equity, retained earnings and balance sheet optimization.

➤ The Bank reported capital ratio that is comfortably above the minimum regulatory limit.

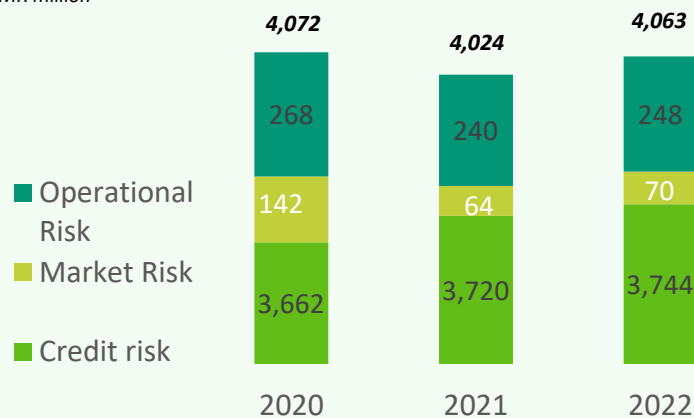
➤ The Bank has consistently distributed dividends during the past few years.

➤ Dividend for year ended 2022 proposed at 5% subject to Shareholders approvals.

2

Risk Weighted Assets

OMR million



3

Dividend History (FY 2022)

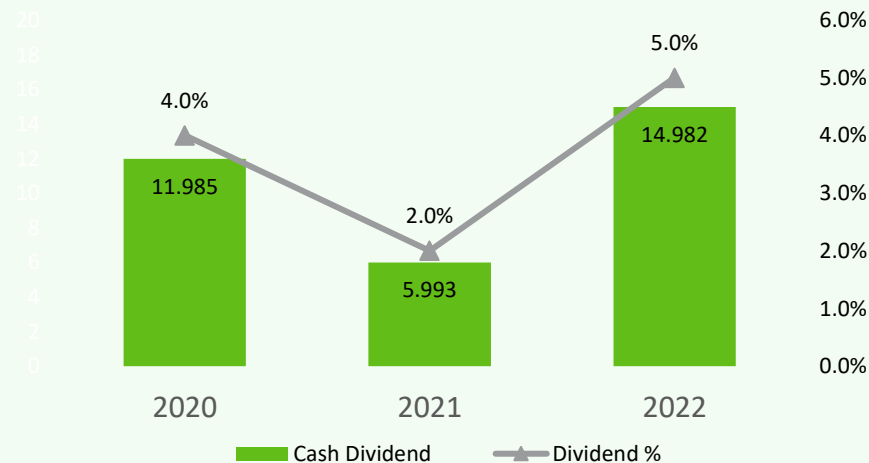


Table of Contents

1. Bank Dhofar Overview

2. Operating Environment

3. Business Strategy & Segmental Overview

4. Financial Performance

5. Conclusion

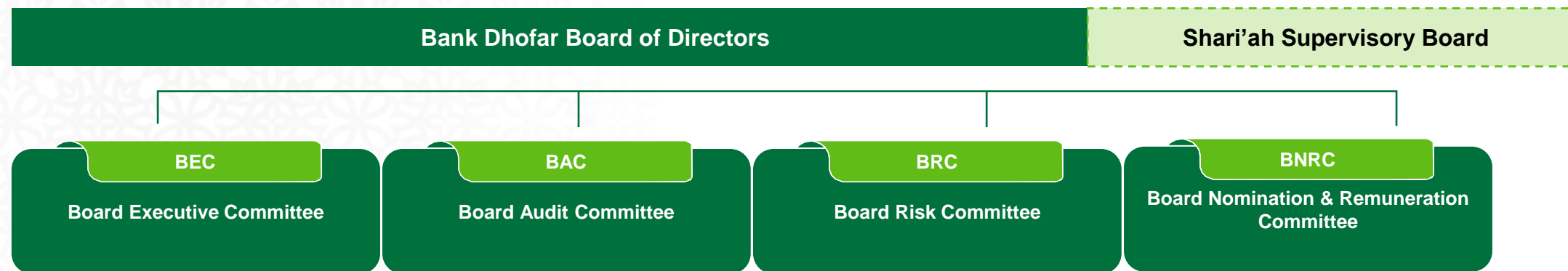
Conclusion

- 1 ● Operating Profit increased by 35.8% in FY 2022
- 2 ● Cost to Income ratio declined and stood at 48.7% as at December 2022
- 3 ● Focus on increasing footprint
- 4 ● Focus on improving asset quality and prudent provision management
- 5 ● Experienced Management team focused on driving performance



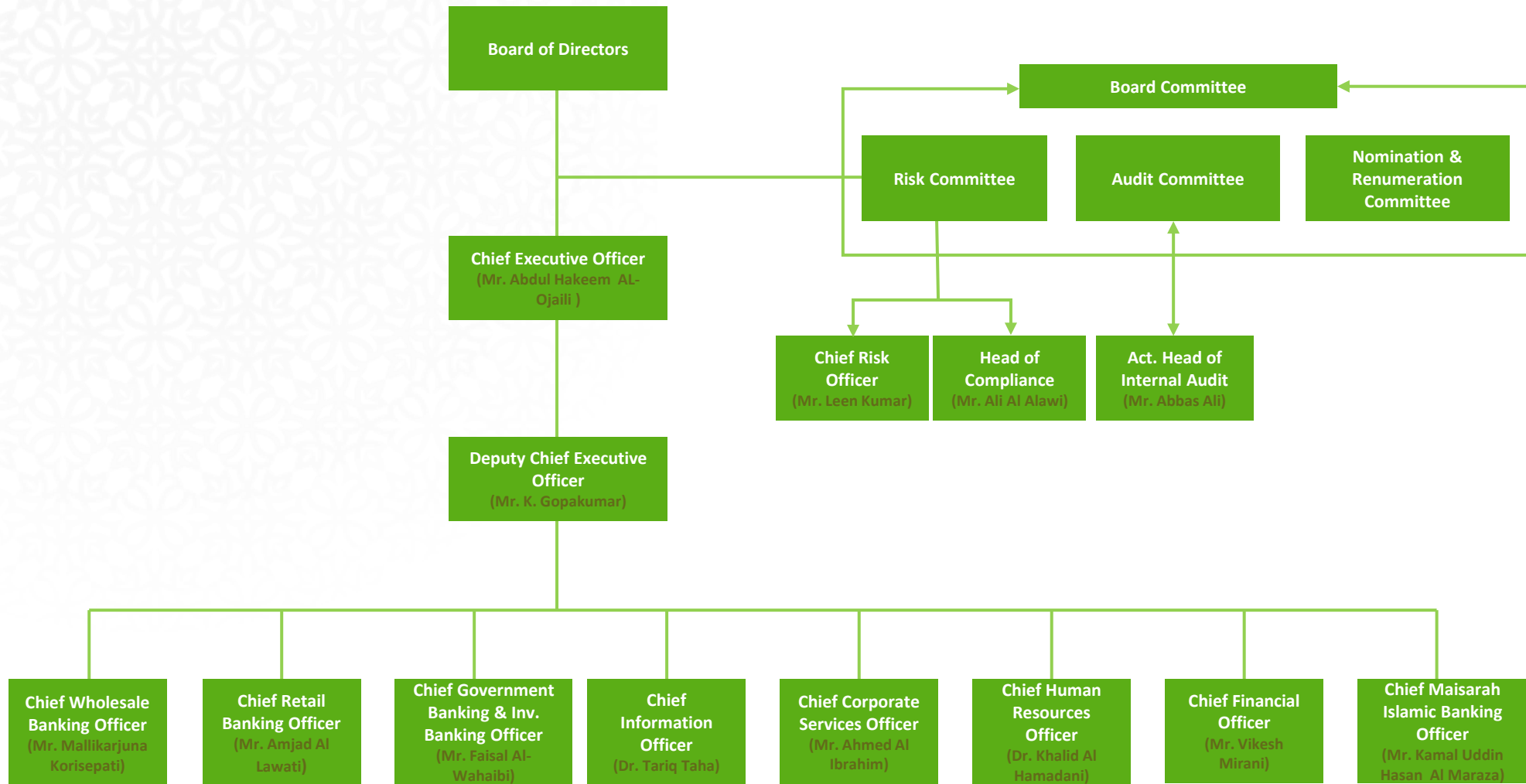
Annexures

Board Members & Board Committees



Name of Director	Position	Year of Appointment	Appointment Expiration	Basis of Membership
H.E. Eng. Abdul Hafidh Salim Rajab Al Ojaili	Chairman	2022	2025	Non-independent
Mr. Ahmed bin Said Al Mahrezi	Vice-Chairman	2022	2025	Independent
Sheikh Tariq Salim Mustahail Al Mashani	Director	2022	2025	Independent
Mr. Mohammed Yousuf Alawi Al Ibrahim	Director	2022	2025	Independent
Mr. Tariq Abdul Hafidh Al Aujaili	Director	2022	2025	Non-independent
Sheikh Khalid Said Al Wahaibi	Director	2022	2025	Independent
Sheikh Ahmed Sultan Rashid Al Yaqoubi	Director	2022	2025	Independent
Dr. Hamdan Abdul Hafidh Hamdan Al Farsi	Director	2022	2025	Independent
Mr. Faisal Mohammed Moosa Al Yousef	Director	2022	2025	Non-independent

Organizational Structure



Balance Sheet

OMR millions	2018	2019	2020	2021	2022
ASSETS					
Cash and balances with Central Bank of Oman	302	300	209	251	177
Loans, advances and financing to banks	329	471	122	125	148
Loans, advances and financing to customers	3,159	3,063	3,265	3,346	3,430
Investment Securities	304	379	458	446	469
Intangible asset	1	0	12	13	11
Property and equipment	15	19	10	8	8
Other assets	104	93	182	249	73
Total Assets	4,213	4,326	4,257	4,439	4,317
LIABILITIES					
Due to banks	369	490	452	461	573
Deposits to customers	2925	2943	2861	2976	2892
Subordinated loans	64	64	35	35	0
Other liabilities	158	142	213	269	136
Total liabilities	3,515	3,640	3,561	3,740	3,600
SHAREHOLDERS' EQUITY					
Share capital	280	300	300	300	300
Share premium	96	96	96	96	96
Retained earnings	59	10	34	29	72
Other reserves	108	125	111	119	94
Total shareholders' equity	543	531	540	543	562
Perpetual Tier 1 Capital Securities	156	156	156	156	156
Total Equity	698	686	696	699	717
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,213	4,326	4,257	4,439	4,317

Income Statement


OMR millions	2018	2019	2020	2021	2022
Interest income	175	182	175	173	185
Interest expense	(87)	(85)	(83)	(90)	(84)
Net interest income	88	97	92	83	101
Net Income from Islamic Financing and Investment Activities	10	12	15	20	22
Fees and Commission Income	21	18	16	18	19
Fees and Commission Expense	(5)	(4)	(3)	(2)	(4)
Net Fees and Commission Income	16	14	14	15	15
Other Income	19	7	9	9	6
Operating Income	132	130	130	126	143
Operating Expenses	(65)	(71)	(65)	(72)	(70)
Profit from Operations	66	58	65	54	73
Provisions for impairments, recoveries and write-backs	(7)	(22)	(29)	(25)	(33)
Profit from Operations after Provisions	60	36	36	29	40
Income Tax Expense	(9)	(6)	(5)	(4)	(6)
NET PROFIT FOR THE YEAR	50	30	31	25	34

THANK YOU!

Our latest financial information and events
can be found on our website
www.bankdhofar.com

You may also contact us at :

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 https://www.bankdhofar.com/engb/Investor_Relations.aspx