



بنك ظفار  
BankDhofar

# INVESTOR PRESENTATION

SEPTEMBER 2020



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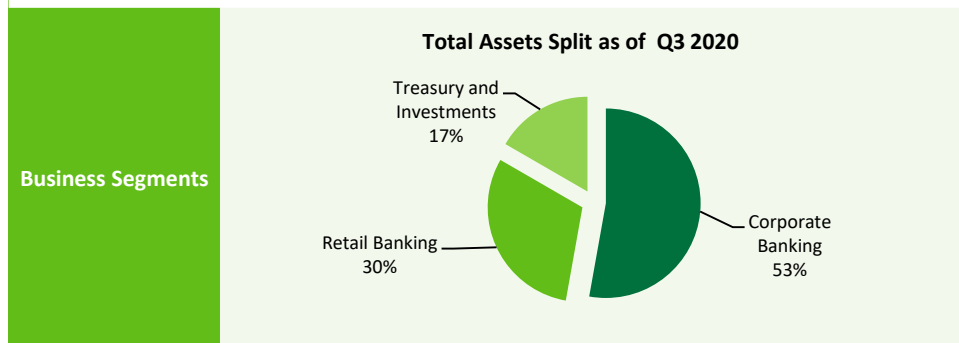
Notification under Section 309B(1)(C) of the Securities and Futures Act (Chapter 289) of Singapore – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the SFA) and the Securities and Futures (Capital Markets Products) 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).

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<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 10.713 billion and 1,546 employees as of Q3 2020.</li> <li>▶ Offers both conventional and Islamic products exclusively within Oman</li> <li>▶ Operates a network of 68 branches with 58 conventional branches (including 1 corporate centre) and 10 Islamic branches, as of September 2020</li> </ul>
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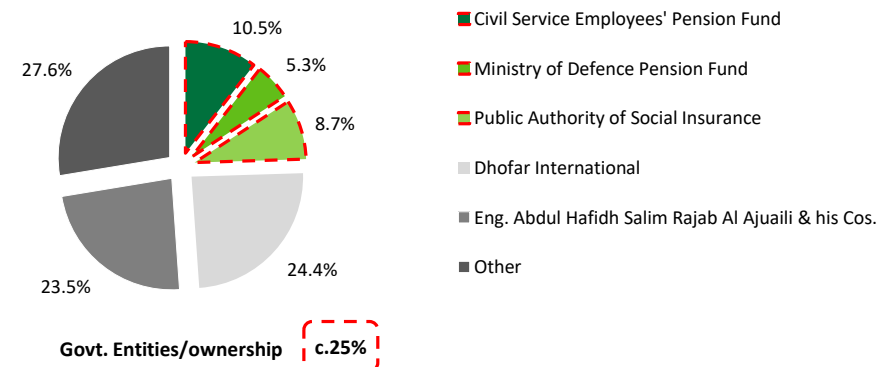
<b>Credit Rating</b>	<ul style="list-style-type: none"> <li>▶ Rated ‘BA3 outlook negative’ by Moody’s – July 2020</li> <li>▶ Rated ‘BB- outlook negative’ by Fitch – August 2020</li> </ul>
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## Financial Highlights

USD Million	2016	2017	2018	2019	Q3 2020
Total Assets	10,265	11,031	10,943	11,236	10,713
Total Equity	1,387	1,525	1,813	1,782	1,809
Net Loans, Advances and Financing to Customers	7,764	8,439	8,205	7,957	8,513
Customer Deposits	7,494	7,969	7,597	7,645	6,868
Total Operating Income	330	330	342	338	248
Net Profit	125	125	131	79	69
CET 1 Ratio	9.85%	10.53%	11.88%	12.59%	12.26%
Capital Adequacy	14.41%	15.44%	17.33%	17.86%	17.48%

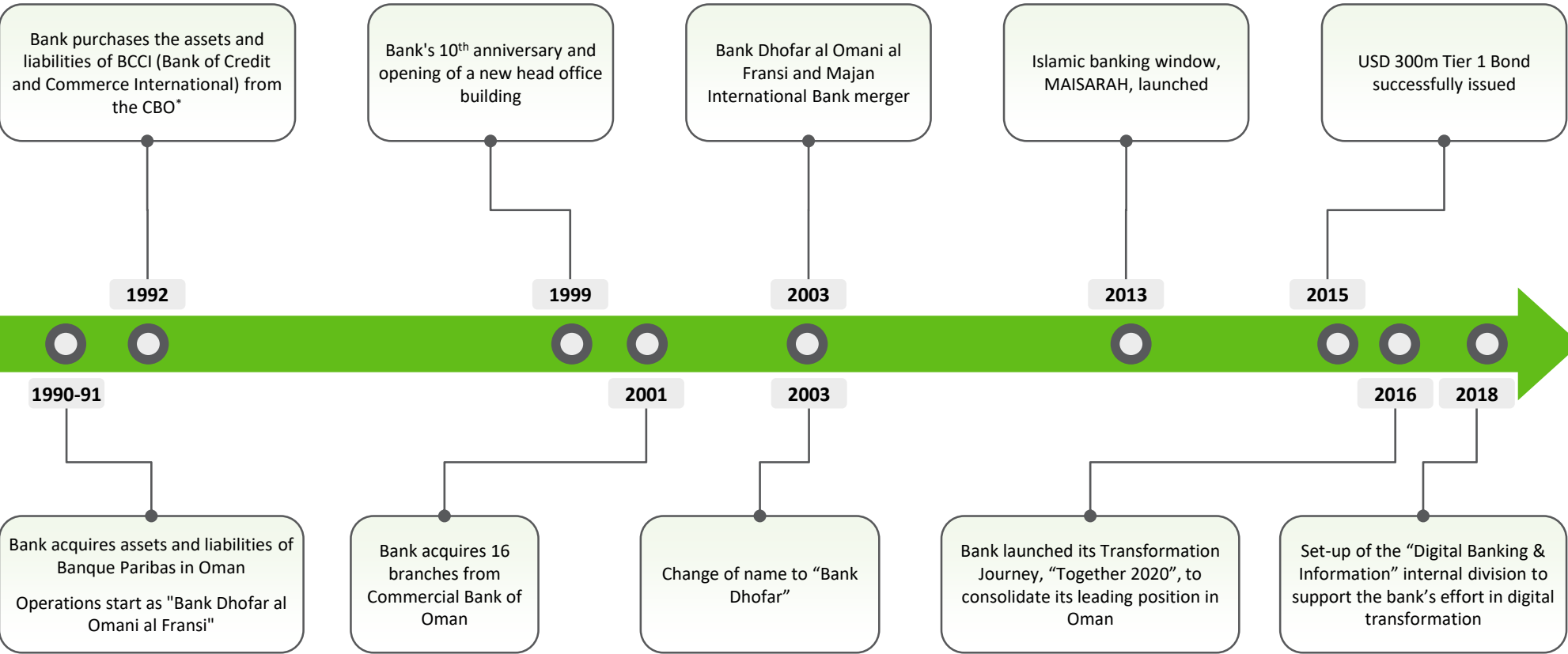
## Ownership Structure (as at 30th September 2020)

**Bank Dhofar is listed on the Muscat Securities Market (MSM) with a market capitalisation of USD 817 Million as at 30<sup>th</sup> September 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 17.5% and CET1 at 12.3% as of Q3 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 (68 branches, 119 ATMs, 57 CCDMs\*, 15 FFM\*\* and 1 MFK\*\*\*\* as at 30<sup>th</sup> September 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")

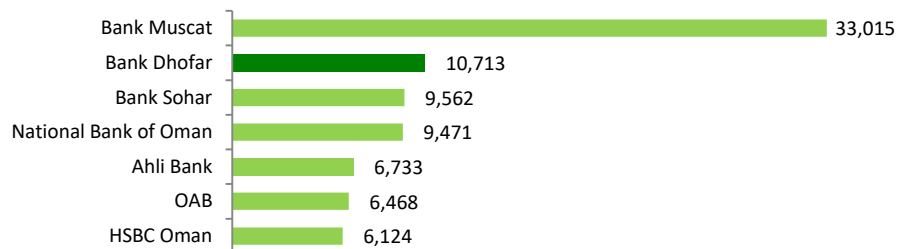
\*\*\*\* Multifunction Kiosk

\*\*\* Source: The Economist Intelligence Unit, 11<sup>th</sup> February 2020

# Omani Banking Sector Comparison

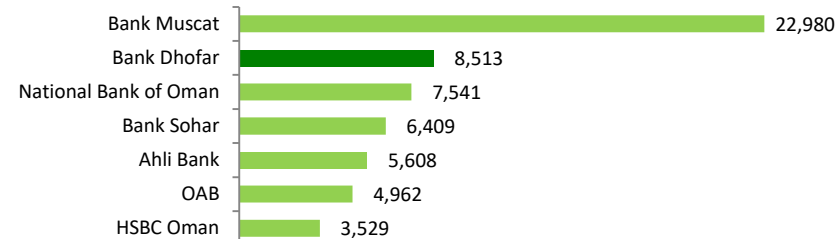
## TOTAL ASSETS

USD million, 30<sup>th</sup> September 2020



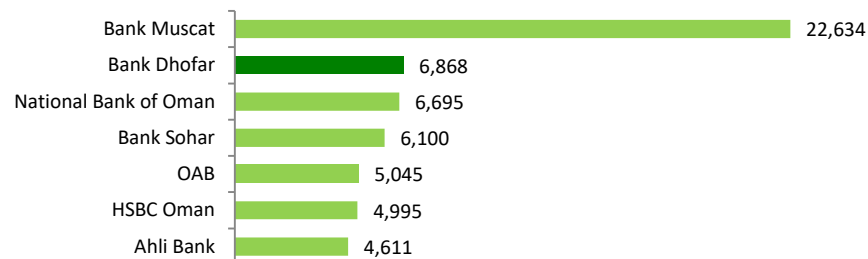
## NET LOANS

USD million, 30<sup>th</sup> September 2020



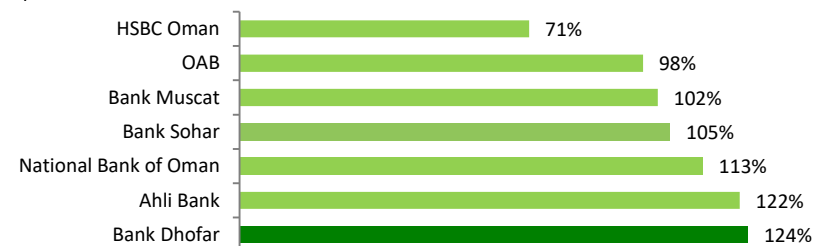
## TOTAL CUSTOMER DEPOSITS

USD million, 30<sup>th</sup> September 2020



## LOANS TO DEPOSITS RATIO\*

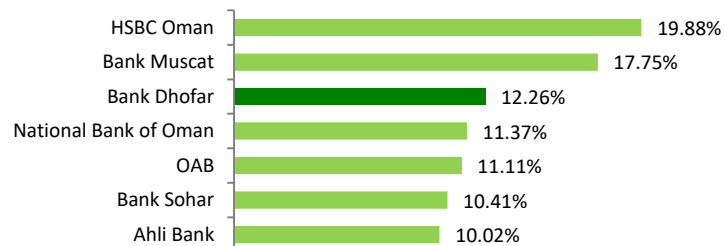
30<sup>th</sup> September 2020



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

## CET 1 RATIO

Per cent., 30<sup>th</sup> September 2020



## CAPITAL ADEQUACY RATIO

Per cent., 30<sup>th</sup> September 2020



Conversion Rate: 1.00 OMR = 2.5974 USD

Source: Bank Dhofar's Annual & Quarterly Reports

Comparison includes only MSM listed banks, Excluding Islamic banks. OAB values are from standalone financials

# 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



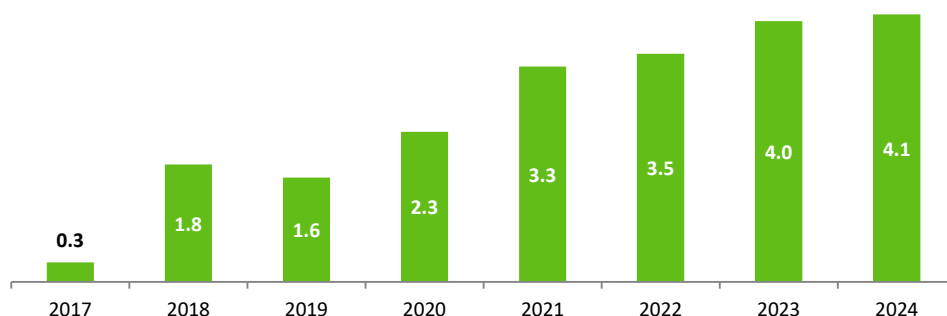
# Sultanate of Oman - Overview

## 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 increase to 2.3% in 2020**, increasing to c.3.4% 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

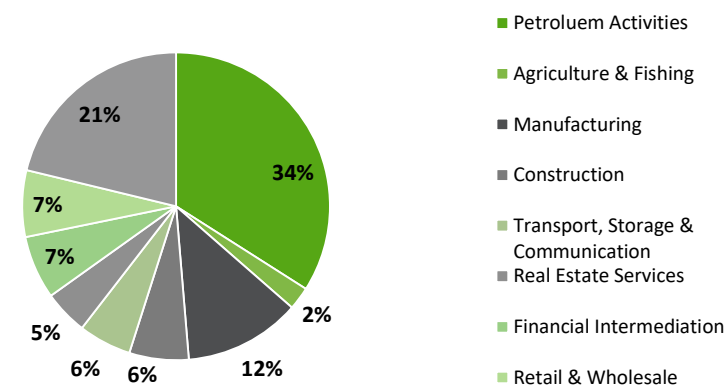


Key Indicators	Dec 2019
Sovereign Ratings (Moody's / S&P / Fitch)	Ba2/BB-/BB
Gross Domestic Product	USD 79.50 bn*
Foreign Assets	USD 16.64 bn*
Government Debt (% of GDP)	59.89%**

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

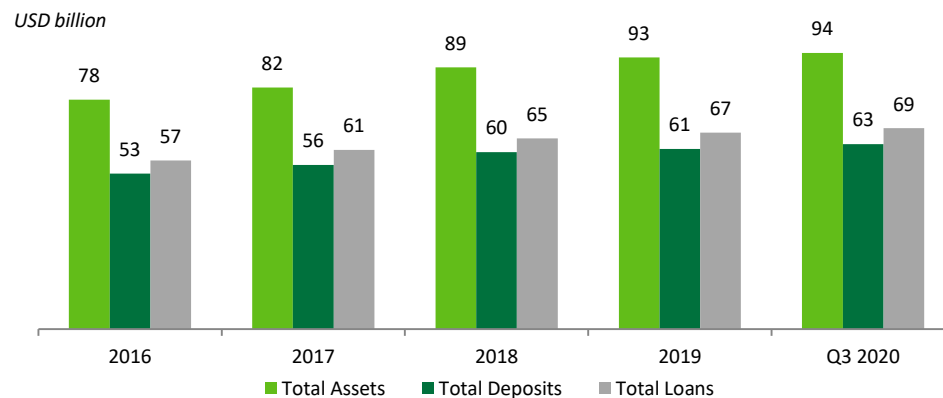
## Overview of the Omani Banking Sector

- ▶ 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 94 billion in Q3 2020
  - ▶ USD 81.1 billion for conventional banks and USD 13.2 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

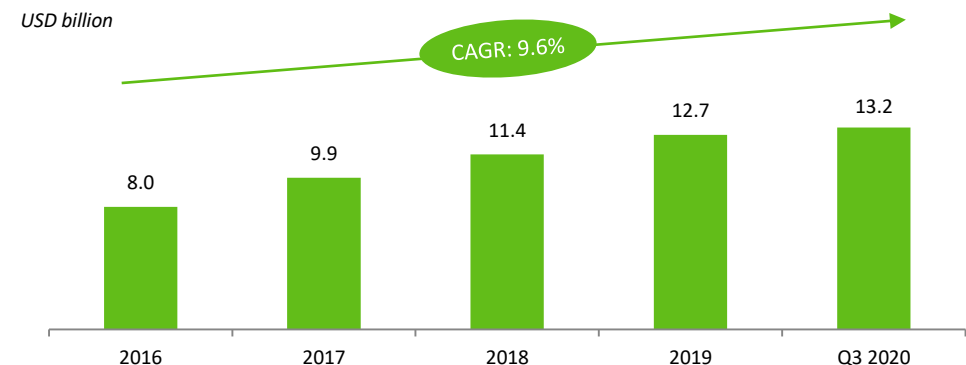
## Regulatory Frame set by The Central Bank of Oman (“CBO”)

- ▶ 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 292,000 customers as at Sep 20
- ▶ Network of 68 branches, 119 ATMs, 57 CCDMs\*, 15 FFM\*\* and 1 MFK\*\*\*\* units as at September-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 17,000 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 USD 894 mn as at Sep-20 declined by 4.1% since last year (USD 933mn as at Sep-19)
- ▶ Gross financing to customers was 6.3% higher year-on-year (USD1,251mn as at Sep-20 vs. USD1,177mn as at Sep-19)

September 2020	USD mn	% of Total
<b>Total Assets</b>	3,270	30.5%
<b>Net Operating Income</b>	85.35	34.4%
<b>Net Profit</b>	13.00	18.8%

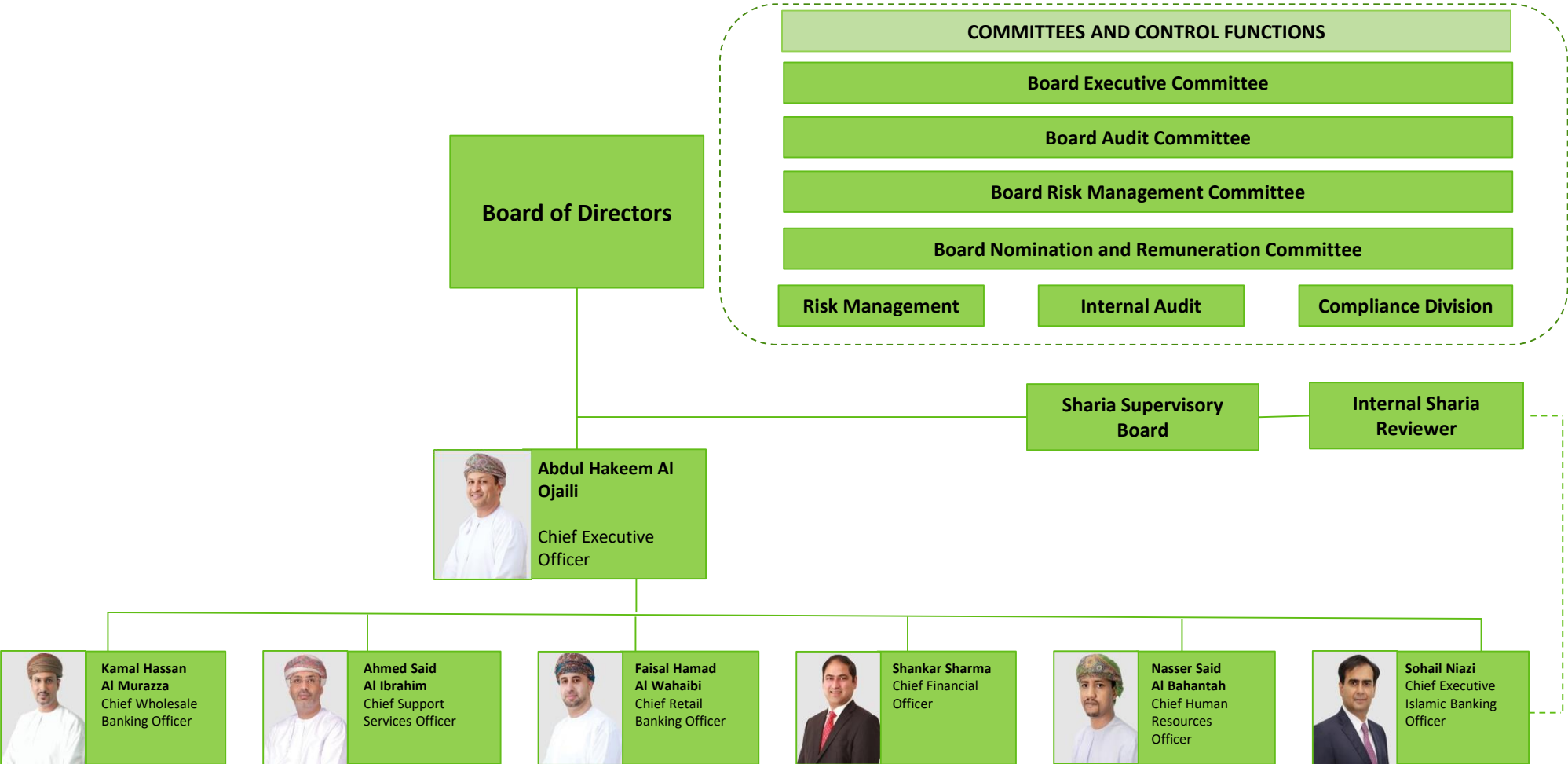
September 2020	USD mn	% of Total
<b>Total Assets</b>	5,658	52.8%
<b>Net Operating Income</b>	117.17	47.3%
<b>Net Profit</b>	26.04	37.6%

September 2020	USD mn	% of Total
<b>Total Assets</b>	1,785	16.7%
<b>Net Operating Income</b>	45.45	18.3%
<b>Net Profit</b>	30.14	43.6%

September 2020	USD mn
<b>Total Assets</b>	1,520
<b>Net Operating Income</b>	32.69
<b>Profit before tax</b>	14.42

\*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



## “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

# Table of Contents

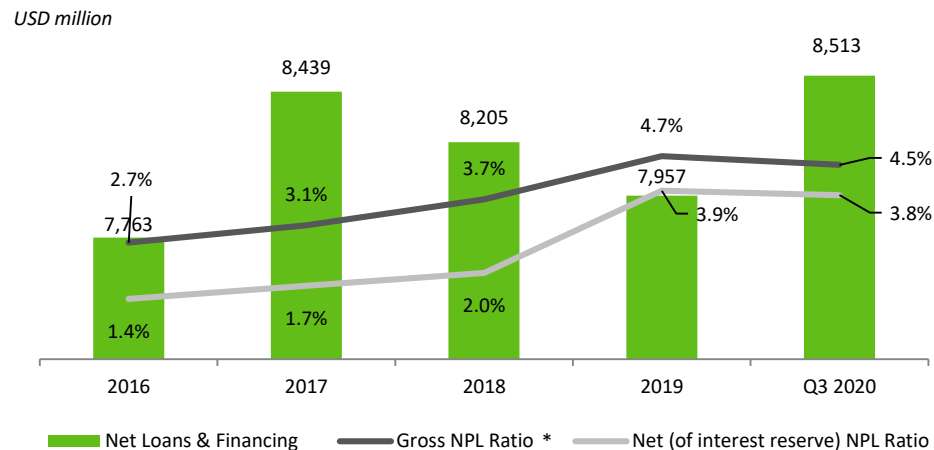
<b>Section 1</b>	Bank Dhofar Overview	4-7
<b>Section 2</b>	Operating Environment	9-10
<b>Section 3</b>	Business Overview	12-14
<b>Section 4</b>	<b>Financial Performance</b>	<b>16-19</b>
<b>Section 5</b>	Appendix	21-22



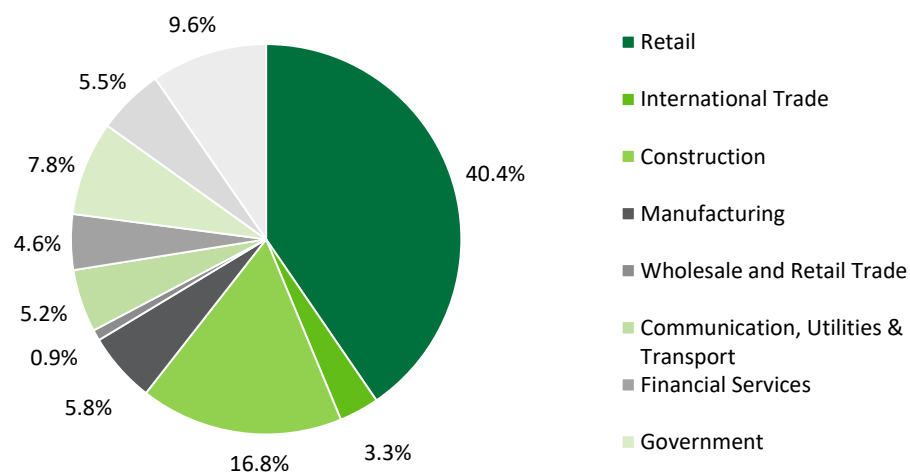
## Highlights

- ▶ 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

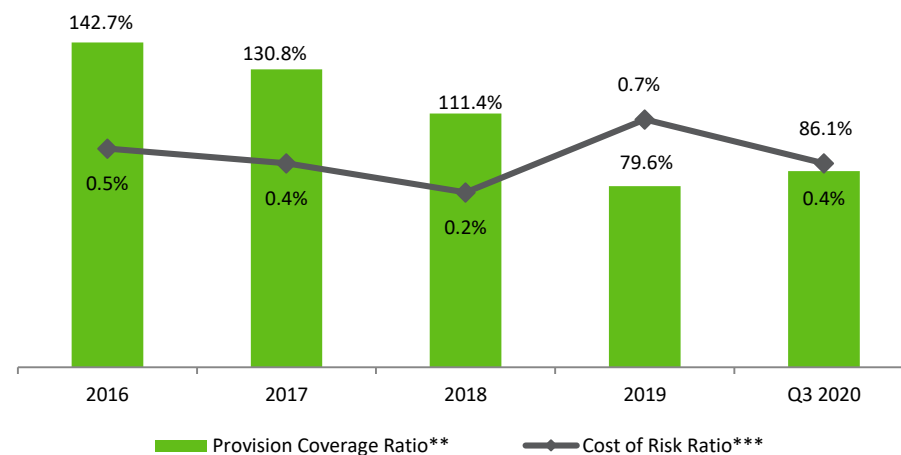
## Net Loan & Financing Portfolio and Non-Performing Loans



## 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

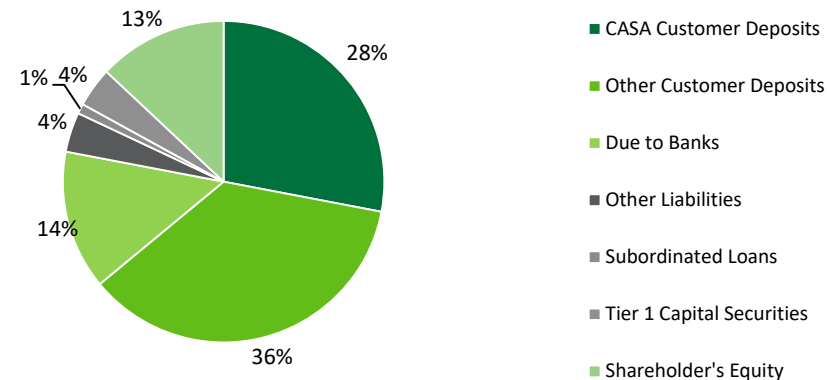
Source: Bank Dhofar's prospectus, Bank Dhofar's Annual & Quarterly Reports

\* 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 107%, and a strong LCR of 114% as of Sep 2020

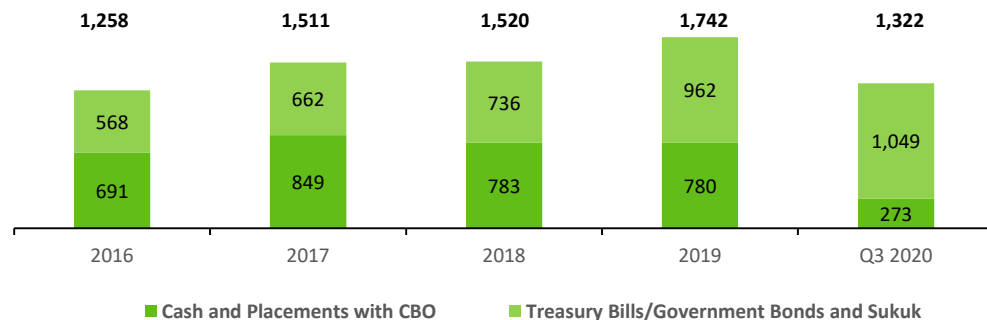
## Funding Mix (USD 10,713 bn as at 30<sup>th</sup> September 2020)



CASA represents 44% of Total customer deposits as at 30<sup>th</sup> September 2020.

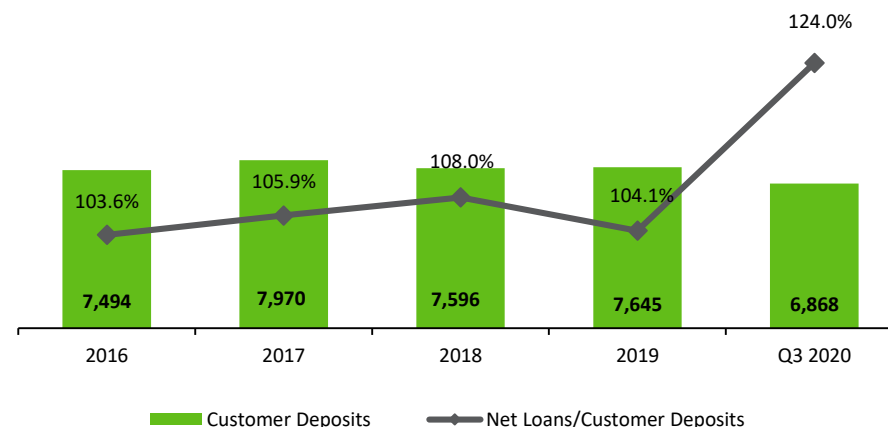
## Overview of Liquidity

USD million



## Customer Deposits and Loan to Deposit Ratio

USD million

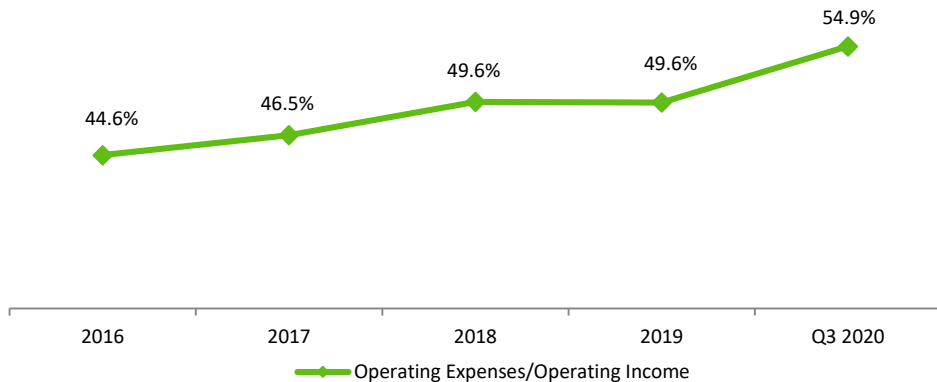


# Profitability and Operating Performance

## Highlights

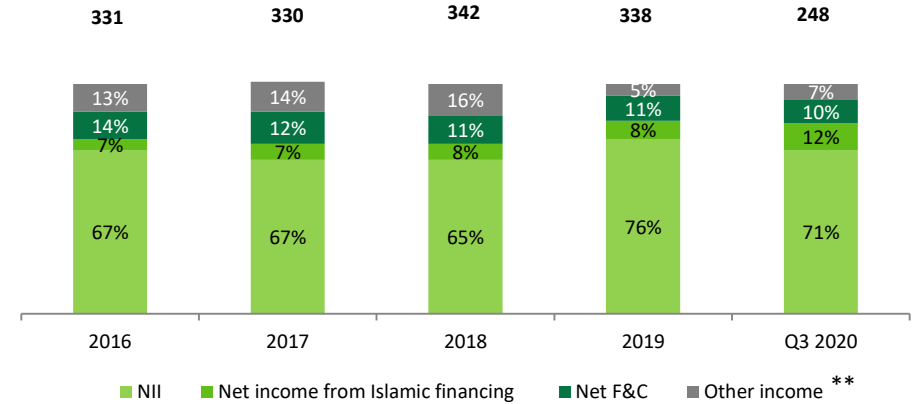
- ▶ Operating income has remain relatively stable despite a decrease in net loans, supported by an increase in investment income (in line with the larger investment portfolio of the Bank in 2019 vs. 2018)
- ▶ Increase in cost to income ratio due to the Bank's investment program with the opening of new, 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



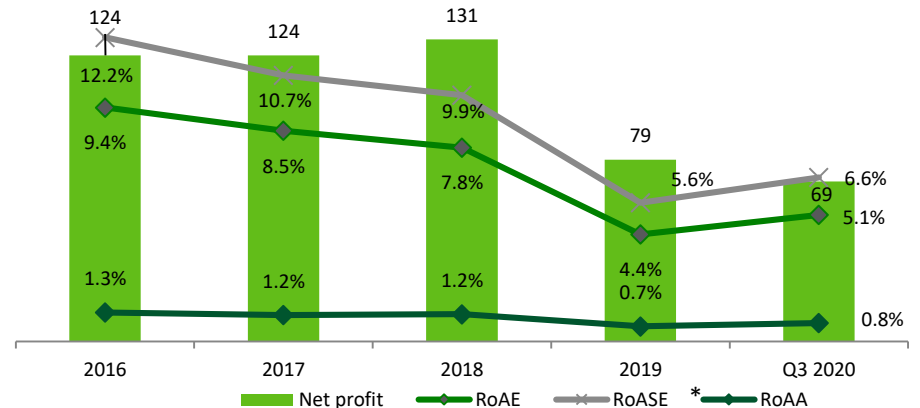
## Net Revenue Breakdown

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

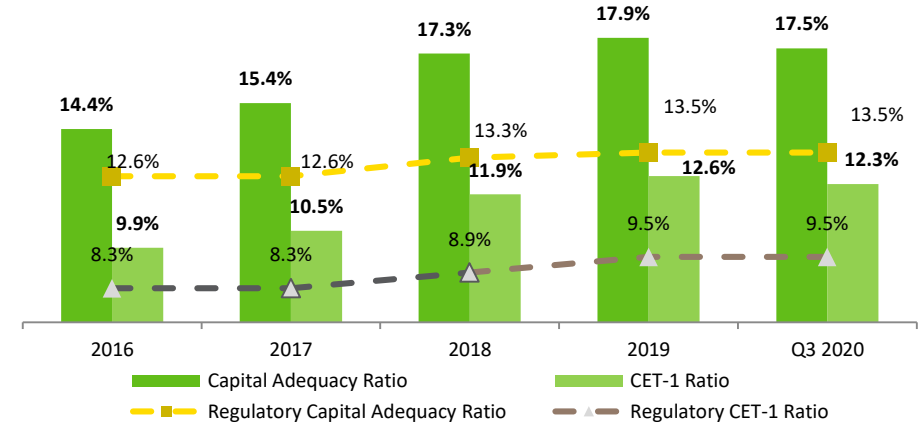
\* Net profit for the year divided by the average total equity attributable to the equity holders of the Bank (calculated as a weighted average of total equity attributable to the equity holders of the Bank). \*\* Other income include: Investments and Foreign exchange

# Capitalisation Overview

## Highlights

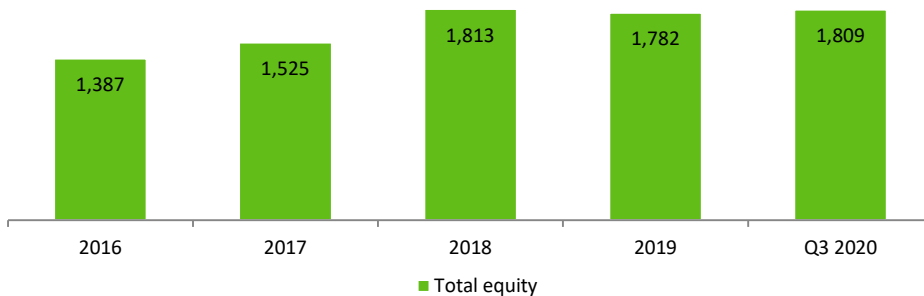
- ▶ Significant improvement of the Bank's capital position thanks to a combination of rights issue, retained earnings and balance sheet optimisation while the initial impact of IFRS 9 on capital was minimal
- ▶ The Bank is reporting capital ratios comfortably above minimum regulatory requirements
- ▶ 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

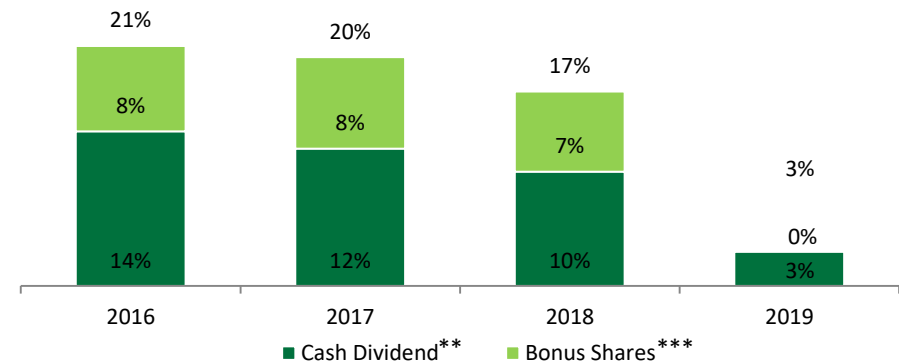


## Total Equity\*

USD million



## Cash Dividend 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

<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	Q3 2020
<b>ASSETS</b>					
Cash and balances with Central Bank of Oman	691	849	783	780	273
Loans, advances and financing to banks	883	779	855	1224	419
Loans, advances and financing to customers	7,764	8,439	8205	7957	8513
Investment Securities	662	756	790	983	1069
Intangible asset	5	3	2	1	0
Property and equipment	21	26	39	50	53
Other assets	242	179	270	241	387
<b>Total Assets</b>	<b>10,265</b>	<b>11,031</b>	<b>10,944</b>	<b>11,236</b>	<b>10,713</b>
<b>LIABILITIES</b>					
Due to banks	912	1,008	958	1273	1479
Deposits to customers	7,494	7,969	7596	7645	6868
Subordinated loans	140	299	166	166	91
Other liabilities	332	231	410	370	467
<b>Total liabilities</b>	<b>8,878</b>	<b>9,506</b>	<b>9,131</b>	<b>9,454</b>	<b>8,905</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	99
Other reserves	249	294	280	325	279
<b>Total shareholders' equity</b>	<b>1,088</b>	<b>1,223</b>	<b>1409</b>	<b>1378</b>	<b>1405</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>1809</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>10,713</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	Q3 2020
Interest income	369	418	454	479	341
Interest expense	-132	-200	-226	-222	-164
Net interest income	236	221	228	257	177
Net Income from Islamic Financing and Investment Activities	18	23	25	26	29
Fees and Commission Income	47	55	54	48	32
Fees and Commission Expense	-8	-10	-13	-11	-7
Net Fees and Commission Income	39	44	41	37	25
Other Income	39	44	49	17	17
Operating Income	330	330	342	338	248
Operating Expenses	-148	-153	-170	-186	-136
Profit from Operations	184	177	172	152	112
Provisions for impairments, recoveries and write-backs	-42	-31	-17	-58	-33
Profit from Operations after Provisions	140	145	155	94	79
Income Tax Expense	-18	-21	-25	-15	-12
<b>NET PROFIT FOR THE PERIOD</b>	<b>125</b>	<b>125</b>	<b>131</b>	<b>79</b>	<b>67</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