



بنك ظفار
BankDhofar

INVESTOR PRESENTATION

SEPTEMBER 2021



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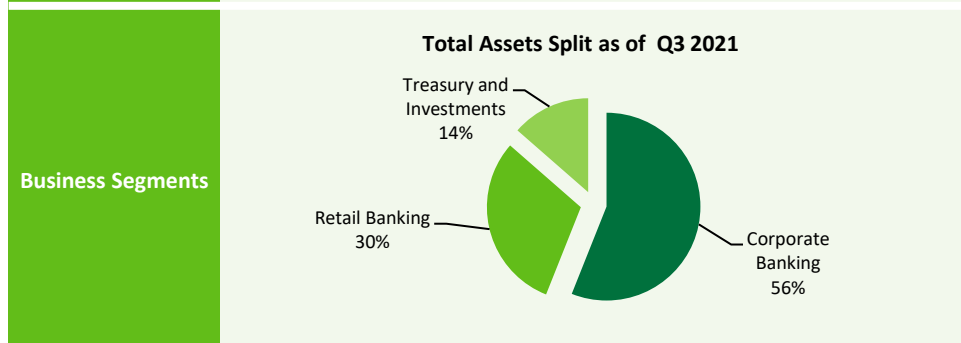
Notification under Section 309B(1)(C) of the Securities and Futures Act (Chapter 289) of Singapore – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the SFA) and the Securities and Futures (Capital Markets Products)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

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.

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Snapshot of Bank Dhofar

Description	<ul style="list-style-type: none"> ▶ Bank Dhofar SAOG (“Bank Dhofar” or “the Bank”) was established in the Sultanate of Oman (“Oman”) in 1990 as a public joint stock company ▶ The Bank has a well established retail franchise and also offers corporate banking, investment banking and treasury services ▶ Second largest listed bank in Oman by total assets of USD 11.491 billion and 1,483 employees as of Q3 2021. ▶ Offers both conventional and Islamic products exclusively within Oman ▶ Operates a network of 65 branches with 55 conventional branches (including 1 corporate centre) and 10 Islamic branches, as of September 2021
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Credit Rating	<ul style="list-style-type: none"> ▶ Rated ‘BA3 with outlook negative’ by Moody’s – June 2021 ▶ Rated ‘BB- with outlook negative’ by Fitch – June 2021
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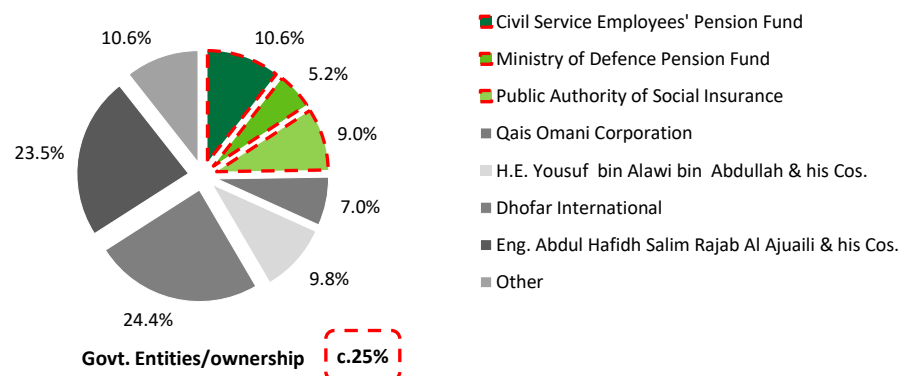
Financial Highlights

USD Million

USD Million	2017	2018	2019	2020	Q3 2021
Total Assets	11,031	10,943	11,236	11,057	11,491
Total Equity	1,525	1,813	1,782	1,807	1,834
Net Loans, Advances and Financing to Customers	8,439	8,205	7,957	8,482	8,735
Customer Deposits	7,969	7,597	7,645	7,432	7,673
Total Operating Income	330	342	338	338	253
Net Profit	125	131	79	79	73
CET 1 Ratio	10.53%	11.88%	12.59%	12.45%	12.31%
Capital Adequacy	15.44%	17.33%	17.86%	17.70%	17.36%

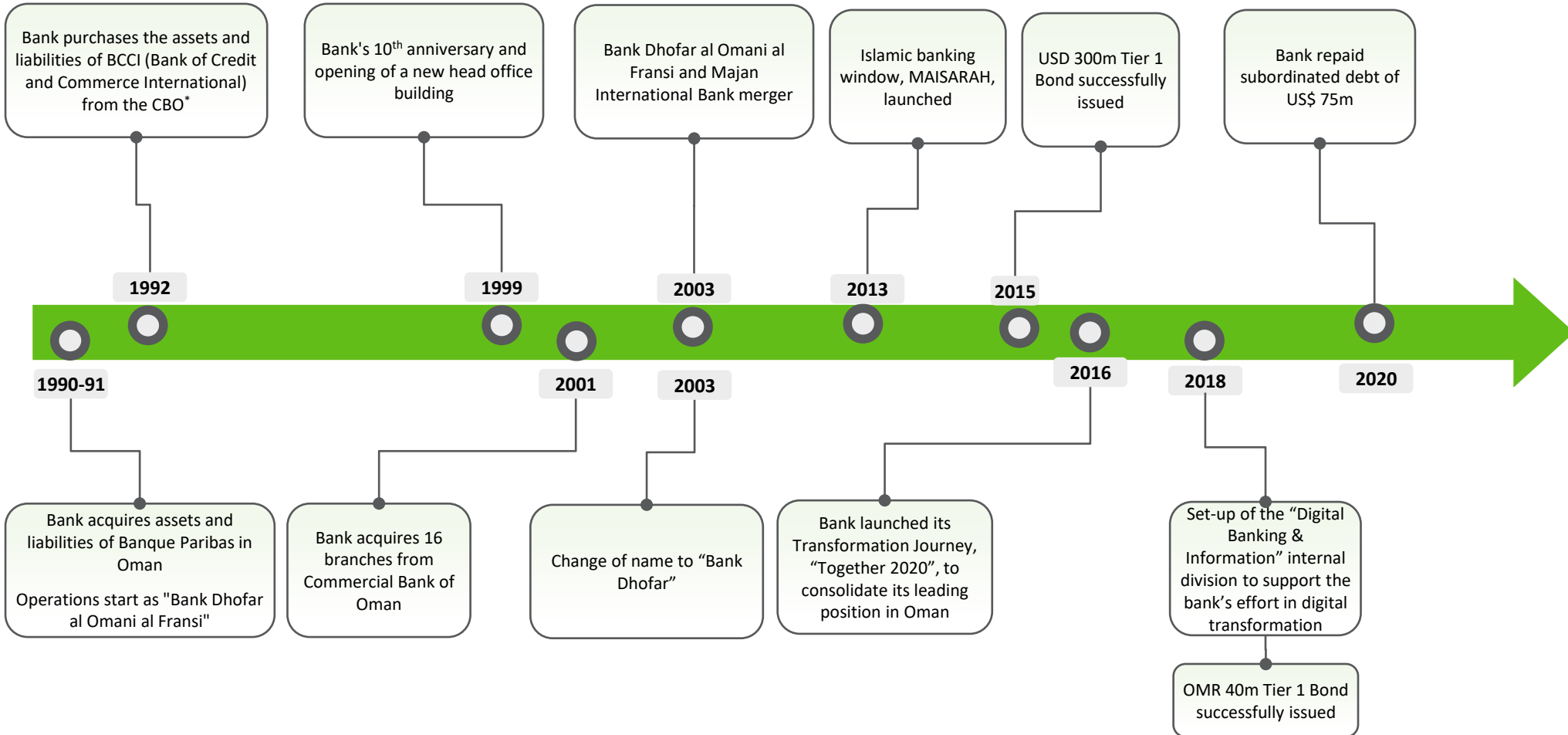
Ownership Structure (as at 30th September 2021)

Bank Dhofar is listed on the Muscat Securities Market (MSM) with a market capitalisation of USD 911 Million as at 30th September 2021



Bank Dhofar's Journey

BANK DHOFAR HAS BEEN PROUDLY SERVING OMANI CUSTOMERS SINCE 1990



Bank Dhofar Key Credit Strengths

Leading Franchise in Oman

- ▶ 2nd 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 17.4% and CET1 at 12.3% as of Q3 2021, 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 sets in path for recovery and positioned for Growth

- ▶ Revival of commercial activities and steady increase in oil prices are twin major factors to support gradual recovery of Oman economy.
- ▶ IMF has projected real GDP growth 2.9%*** for the year 2022 (2021 expected 2.5%). The growth will further accelerate to over 4.2% in 2023.
- ▶ The IMF also highlighted that Structural reforms have been accelerated under Oman Vision 2040 to boost non-oil private sector growth and facilitate job creation.

Diversified Distribution Channel Catered to Customers' Needs

- ▶ Strong distribution network with an optimal coverage of the Oman territory (65 branches, 118 ATMs, 56 CCDMs*, 19 FFM** and 1 MFK**** as at 30th September 2021)
- ▶ 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")

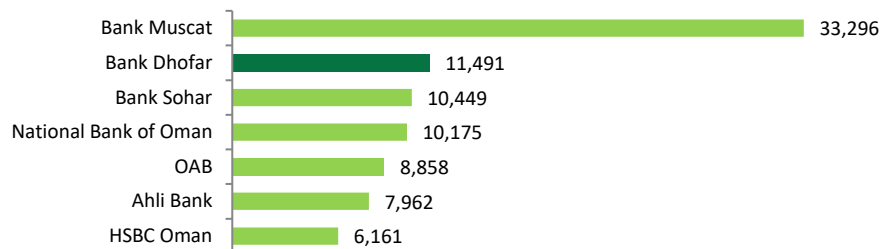
**** Multifunction Kiosk

*** Source: IMF Consultative IV Paper 2021

Omani Banking Sector Comparison

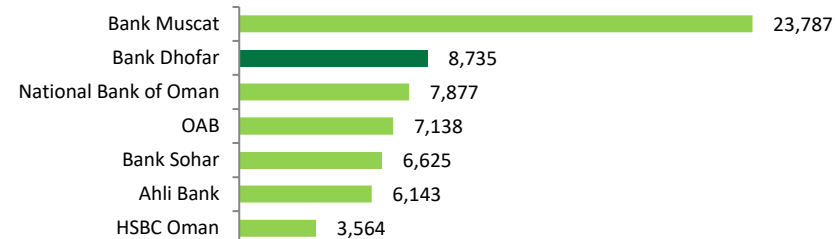
TOTAL ASSETS

USD million, 30th September 2021



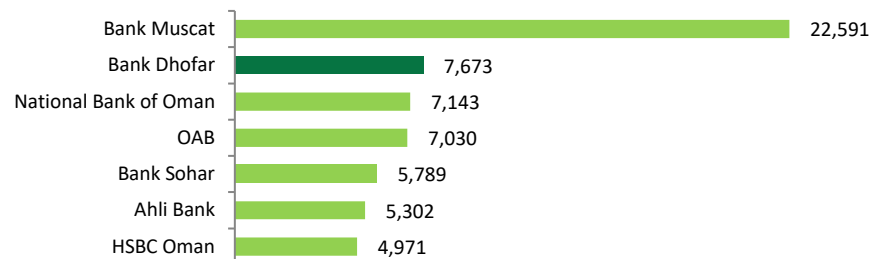
NET LOANS

USD million, 30th September 2021



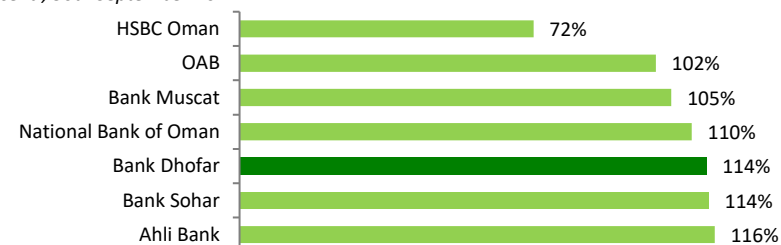
TOTAL CUSTOMER DEPOSITS

USD million, 30th September 2021



LOANS TO DEPOSITS RATIO*

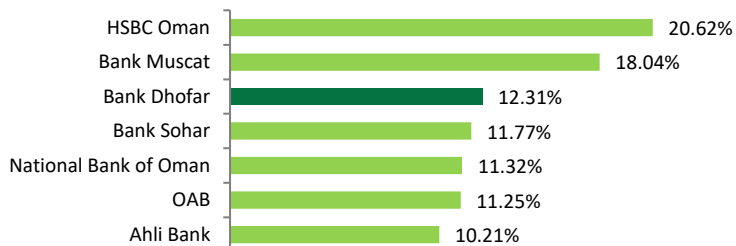
Per cent., 30th September 2021



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

CET 1 RATIO

Per cent., 30th September 2021



CAPITAL ADEQUACY RATIO

Per cent., 30th September 2021



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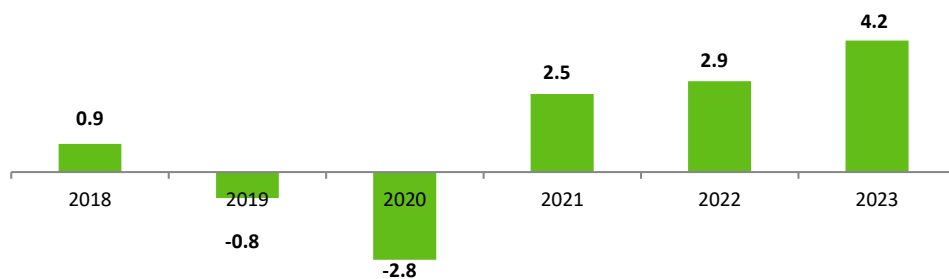
Sultanate of Oman - Overview

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 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 4.47mn** - 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 4.9% in 2023
- ▶ **"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



* 2018-2025 actual values, source: IMF

Source: Bank Dhofar, Central Bank of Oman, Moody's, IMF MCD Regional Outlook/World Economic Outlook, National Center for Statistics and Information

** The Economist Intelligence Unit, 11th February 2020

Key Figures

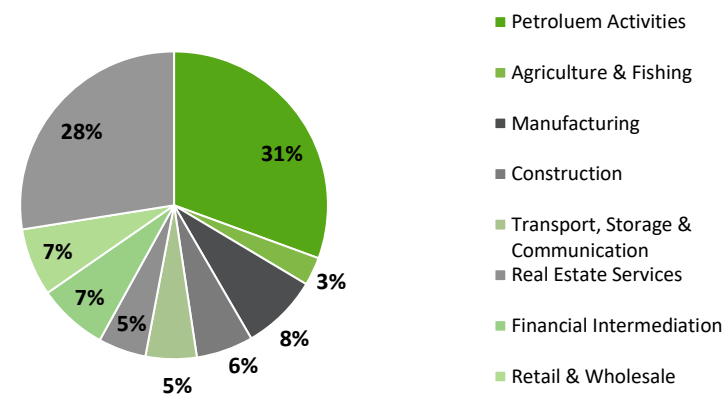


Key Indicators	Dec 2020
Sovereign Ratings (Moody's / S&P / Fitch)	Ba3/B+/BB-
Gross Domestic Product	USD 76.98 bn*
Foreign Assets	USD 15.07 bn*
Government Debt (% of GDP)	55.90%**

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 2020)



Source: National Center for Statistics and Information

Overview of the Omani Banking Sector

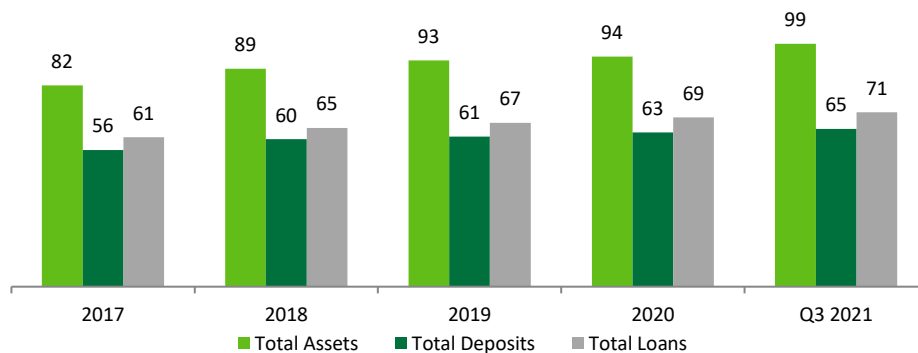
- ▶ The Omani Banking Sector comprises 20 licensed banks, of which:
 - ▶ 16 conventional commercial banks: 7 locally incorporated and 9 branches of foreign banks
 - ▶ 2 state-owned specialised banks: Oman Housing Bank and Oman Development Bank
 - ▶ 2 full-fledged locally incorporated Islamic banks
- ▶ The Omani banking sector has been growing consistently in the past decade with banking assets reaching over USD 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 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

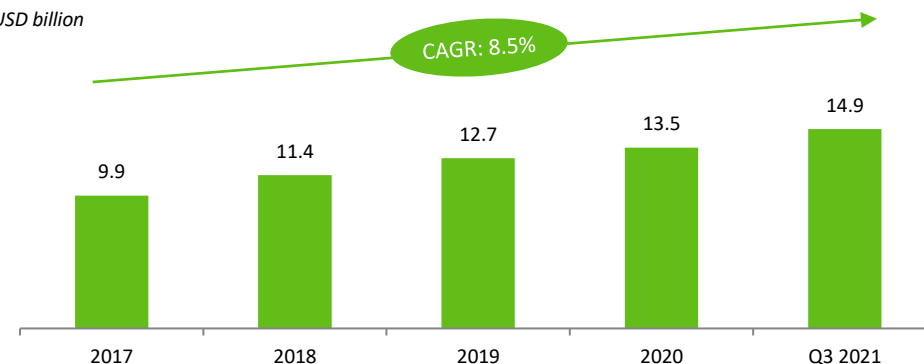
Assets, Deposits and Loans of Omani Banks

USD billion



Islamic Banking Assets of Omani Banks

USD billion



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Business Segments

Retail Banking (Consolidated)

- ▶ Provides banking services to over 292,000 customers as at Sep 21
- ▶ Network of 65 branches, 118 ATMs, 56 CCDMs*, 19 FFM** and 1 MFK**** units as at Sep-21
- ▶ 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 20,000 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 1,002 mn as at Sep-21 increased by 12.0% since last year (USD 894 mn as at Sep-20)
- ▶ Gross financing to customers was 1.7% higher year-on-year (USD1,254 mn as at Sep-21 vs. USD1,233 mn as at Sep-20)

September 2021	USD mn	% of Total
Total Assets	3,492	30.4%
Net Operating Income	93.02	36.7%
Net Profit	9.11	12.4%

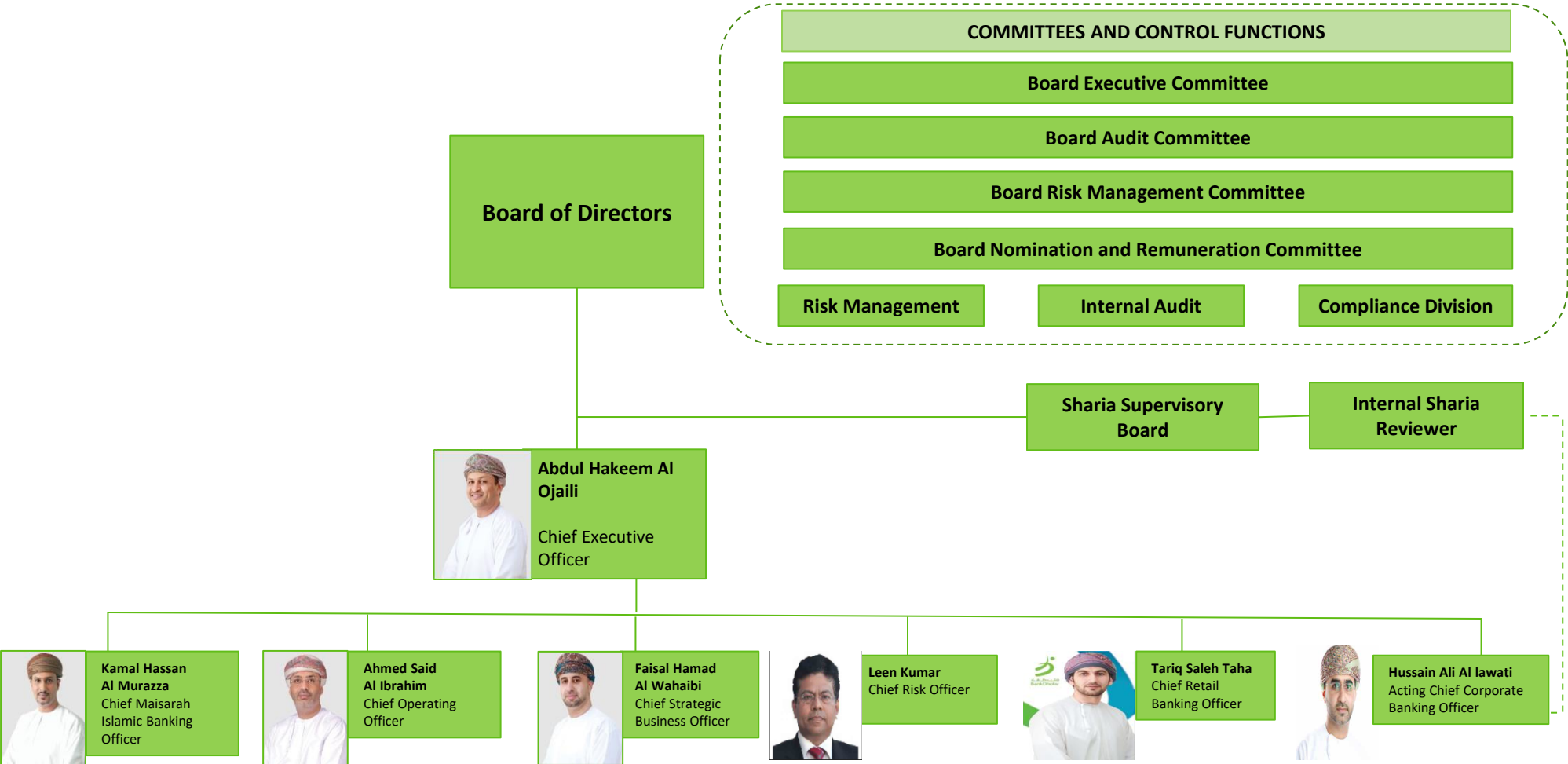
September 2021	USD mn	% of Total
Total Assets	6,439	56.0%
Net Operating Income	117.97	46.6%
Net Profit	38.74	52.7%

September 2021	USD mn	% of Total
Total Assets	1,559	13.6%
Net Operating Income	42.17	16.7%
Net Profit	4.35	34.9%

September 2021	USD mn
Total Assets	1,713
Net Operating Income	39.71
Profit before tax	21.22

*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



“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 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 for Nine Months Ended 30 September 2021

The Bank's efforts in product development, innovative solutions and enhanced customer experience were widely recognized by various reputable local and international organizations. Despite all economic challenges posed by the unprecedented COVID-19 pandemic, the Bank has solidified its brand image during 2021.

This can be corroborated by the fact that Bank Dhofar was announced most trusted brand by Oman Economic Review Magazine (OER). Moreover, the Bank was also proclaimed "Best Business and Corporate Bank – Oman" by Word Economic Magazine. Finance Derivative Magazine crowned the Bank with two awards i.e. Best Investment Bank and Best Commercial Bank respectively. Most recently, Asiamoney Middle East acknowledged Bank Dhofar as Best Bank for SMEs and Best Digital Bank in Oman banking sector.

- Excellence in Customer Experience Award at the Oman Banking & Finance Awards 2021
- 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
- Excellence in Customer Experience Award at the Oman Banking & Finance Awards 2021
- Excellence in Innovative Products & Solutions Award at the Oman Banking & Finance Awards 2021

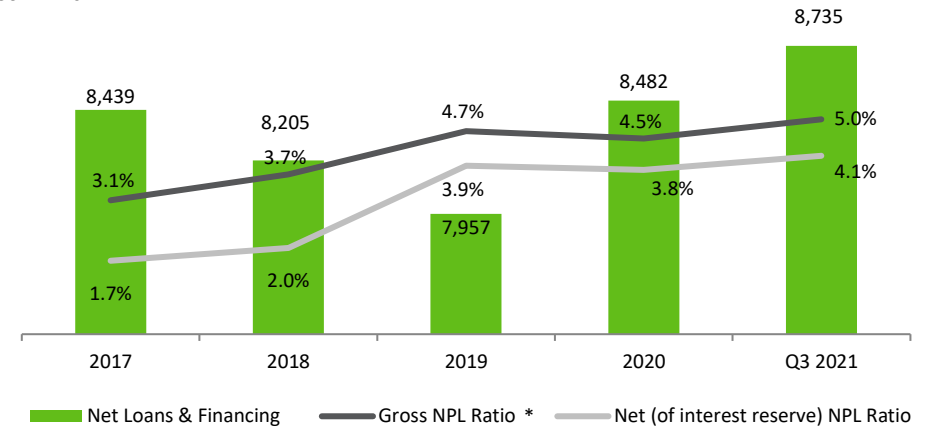
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Highlights

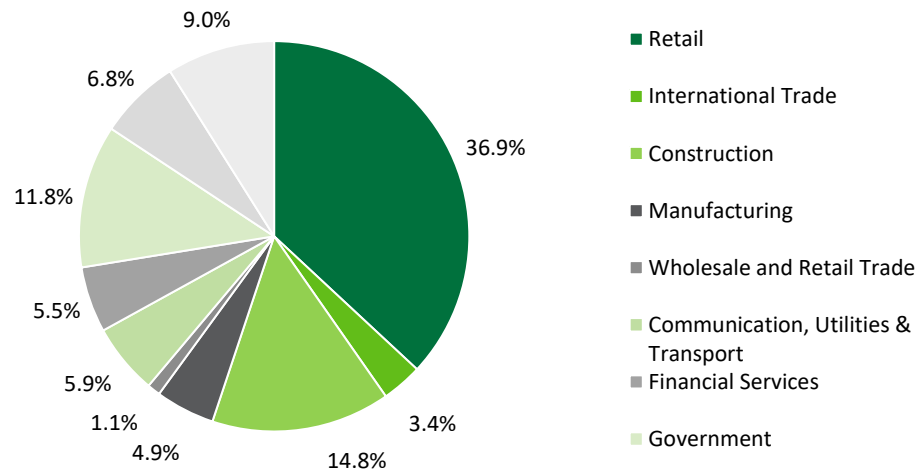
- ▶ After a period of rapid growth, the Bank has pro-actively reduced its loan growth starting 2017 by adopting a more conservative lending approach with a focus on credit quality
- ▶ Diversified loan portfolio across the sectors with a strong franchise in retail
- ▶ Increase in NPL ratio due to negative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

Net Loan & Financing Portfolio and Non-Performing Loans

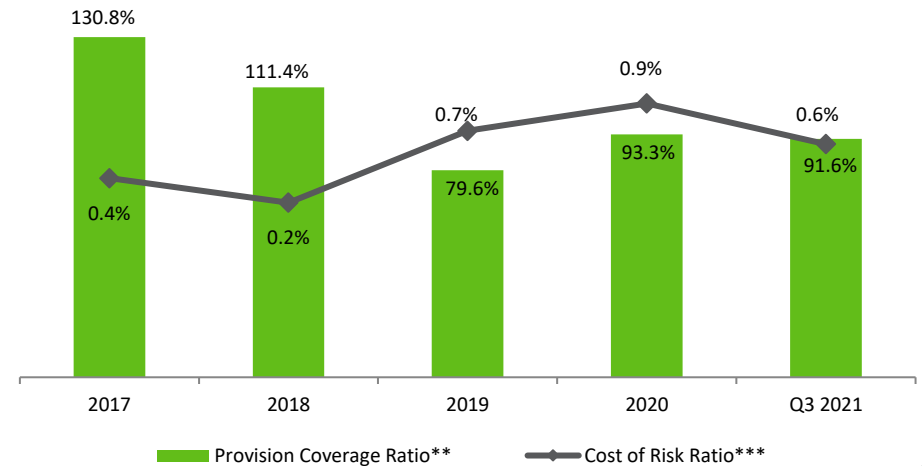
USD million



Breakdown of Gross Loans by Sector (31st Dec 2020)



Non-Performing Loans Coverage and Cost of Risk



Conversion Rate: 1.00 OMR = 2.5974 USD

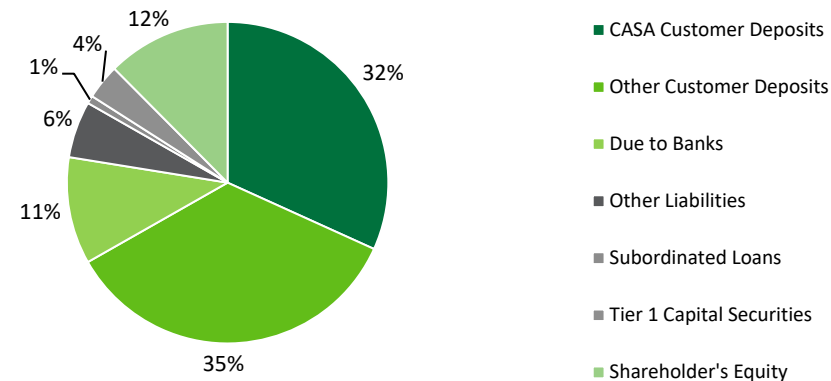
Source: Bank Dhofar's prospectus, Bank Dhofar's Annual & Quarterly Reports

* 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 108%, and a strong LCR of 156% as of September 2021

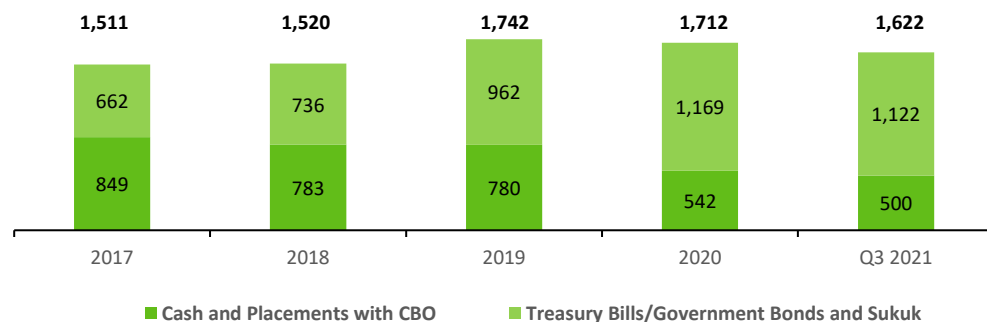
Funding Mix (USD 11,491 bn as at 30th September 2021)



CASA represents 48% of Total customer deposits as at 30th September 2021.

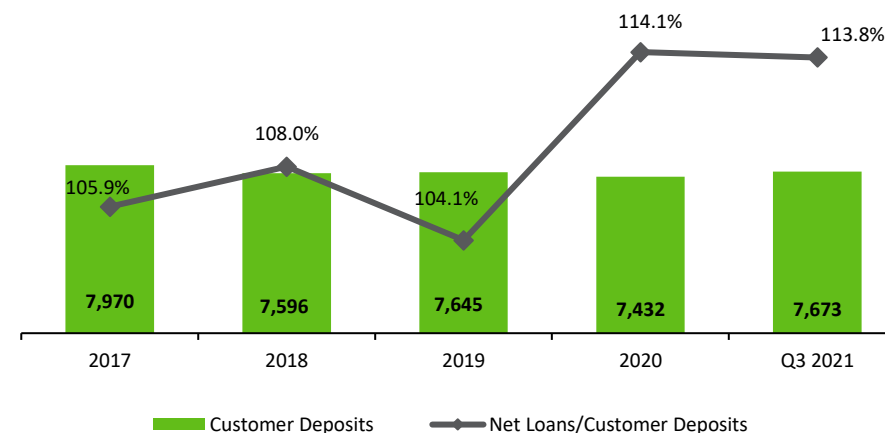
Overview of Liquidity

USD million



Customer Deposits and Loan to Deposit Ratio

USD million

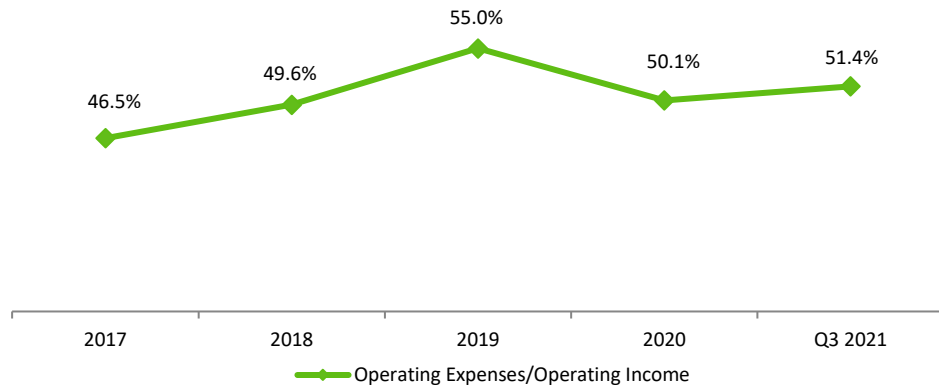


Profitability and Operating Performance

Highlights

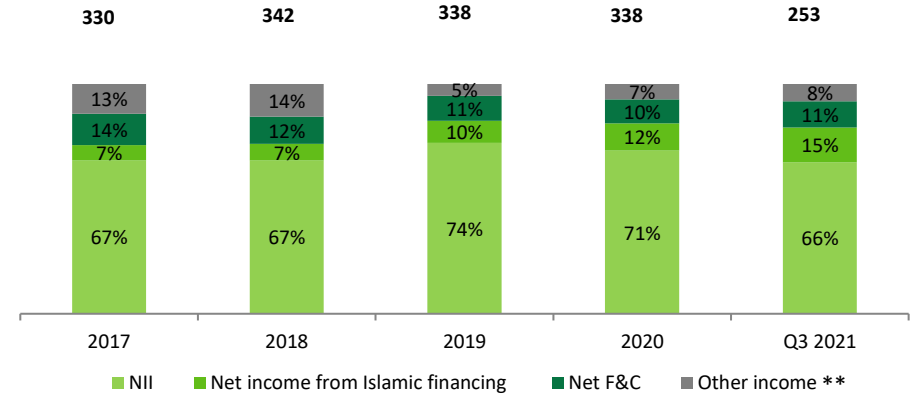
- ▶ Operating income has remain relatively stable despite a decrease in net loans, supported by an increase in investment income (in line with the larger investment portfolio of the Bank in 2019 vs. 2018)
- ▶ Increase in cost to income ratio due to the Bank's investment program with the opening of new, modern branches and technological investments to support its digitalization
 - ▶ Management team is focused on optimizing the cost to income ratio
- ▶ 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



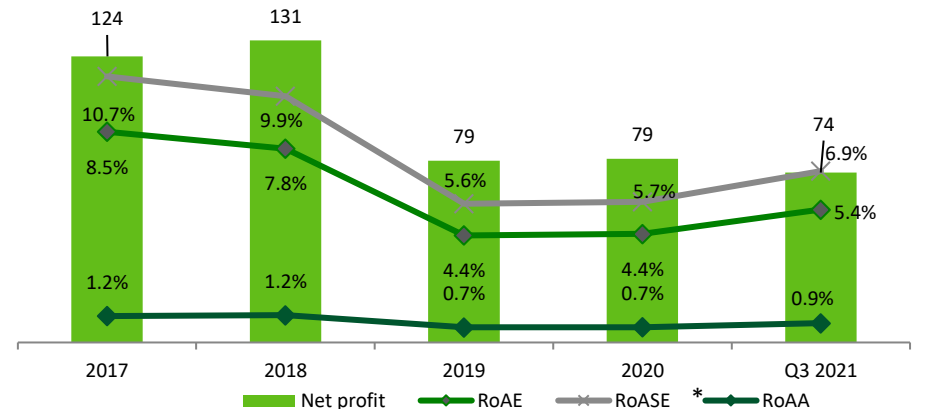
Net Revenue Breakdown

USD million



Net Profit and Annualised Return on Average Assets & Shareholders Equity

USD million



Conversion Rate: 1.00 OMR = 2.5974 USD

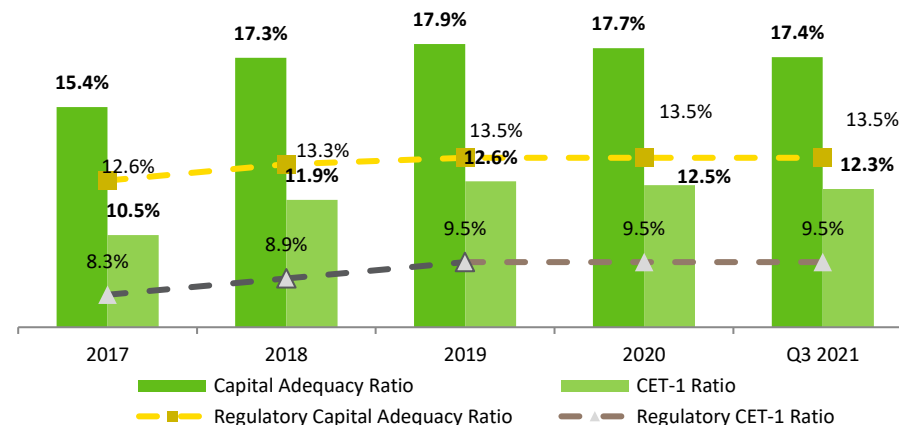
Source: Bank Dhofar's prospectus, Bank Dhofar's Annual & Quarterly Reports

* 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

Highlights

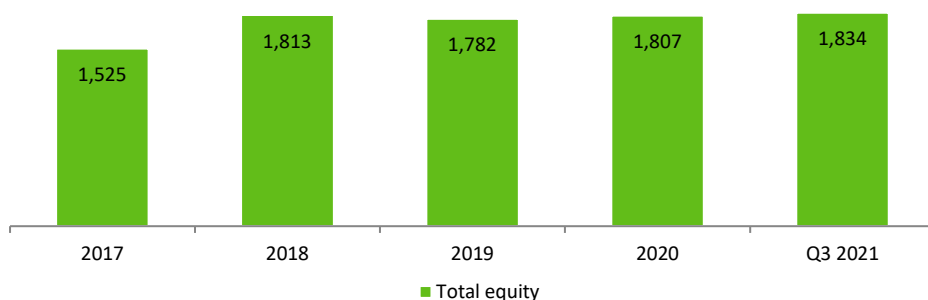
- ▶ Significant improvement of the Bank's capital position thanks to a combination of rights issue, retained earnings and balance sheet optimisation while the initial impact of IFRS 9 on capital was minimal
- ▶ The Bank is reporting capital ratios comfortably above minimum regulatory requirements
- ▶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

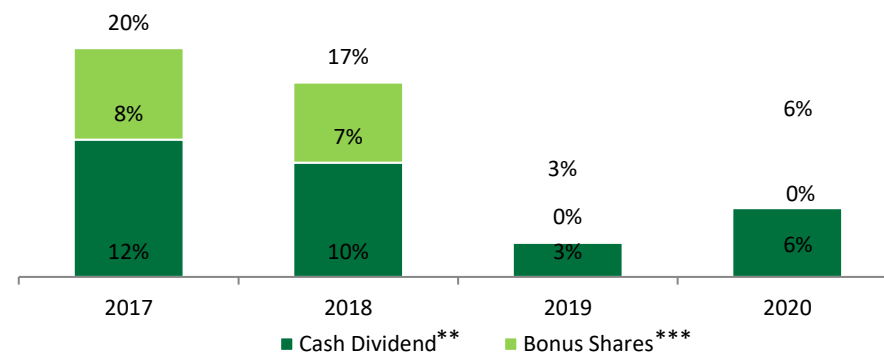


Total Equity*

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

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Balance Sheet

USD millions	2017	2018	2019	2020	Q3 2021
ASSETS					
Cash and balances with Central Bank of Oman	849	783	780	542	500
Loans, advances and financing to banks	779	855	1224	316	417
Loans, advances and financing to customers	8,439	8205	7957	8482	8735
Investment Securities	756	790	983	1189	1137
Intangible asset	3	2	1	0	0
Property and equipment	26	39	50	56	51
Other assets	179	270	241	472	651
Total Assets	11,031	10,944	11,236	11,057	11,491
LIABILITIES					
Due to banks	1,008	958	1273	1174	1238
Deposits to customers	7,969	7596	7645	7432	7673
Subordinated loans	299	166	166	91	91
Other liabilities	231	410	370	553	655
Total liabilities	9,506	9,131	9,454	9,250	9,657
SHAREHOLDERS' EQUITY					
Share capital	587	727	778	778	778
Share premium	200	248	248	248	248
Retained earnings	143	154	27	89	123
Other reserves	294	280	325	288	281
Total shareholders' equity	1,223	1409	1378	1403	1430
Perpetual Tier 1 Capital Securities	301	404	404	404	404
Total Equity	1,525	1813	1782	1807	1834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,031	10,944	11,236	11,057	11,491

* 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	2017	2018	2019	2020	Q3 2021
Interest income	418	454	473	454	340
Interest expense	-200	-226	-222	-215	-173
Net interest income	221	228	251	240	167
Net Income from Islamic Financing and Investment Activities	23	25	32	40	38
Fees and Commission Income	55	54	48	43	36
Fees and Commission Expense	-10	-13	-11	-8	-7
Net Fees and Commission Income	44	41	37	35	29
Other Income	44	49	17	23	19
Operating Income	330	342	338	338	253
Operating Expenses	-153	-170	-186	-169	-130
Profit from Operations	177	172	152	169	123
Provisions for impairments, recoveries and write-backs	-31	-17	-58	-75	-38
Profit from Operations after Provisions	145	155	94	93	85
Income Tax Expense	-21	-25	-15	-14	-12
NET PROFIT FOR THE PERIOD	125	131	79	79	73

* 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