



بنك ظفار
BankDhofar

Investor Presentation SEP 2022

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Bank Dhofar at a glance



Total Income

OMR 107 Million ↑ 9% YoY

Net Profit

OMR 26.1 Million ↓ 8% YoY



Net Profit Margin 2.5%

↑ +50bps YTD

Return on Sh. Equity 6.4%

↑ +56bps YTD

Return on Assets 0.8%

↑ +8bps YTD

2nd Largest in Oman

25% Government of Oman Shareholding



Net Loan, Advances and Financing to Customers

OMR
3.3 billion

Deposits

OMR
2.9 billion

Total Assets

OMR
4.4 billion

OMR 464 M

Market Capitalization

Social Impact



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



Cost to Income Ratio

48%

Liquidity Coverage Ratio

100%

Capital Adequacy Ratio

17.6%

Credit Rating



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

Overall Financial Performance

(for the period ended September 2022)

1

Balance Sheet

OMR million	Dec-21	Sep-22	Change
Net Loans, advances, and financing to customers	3,346	3,318	-1%
Investment securities	438	508	16%
Total Assets	4,439	4,382	-1%
Customers' Deposit	2,976	2,906	-2%
Total Equity	699	709	1%
Total liabilities and equity	4,439	4,382	-1%

2

Income Statement

OMR million	Dec-21	Sep-22	Change
Operating Income	126	107	-16%
Operating Expenses	(72)	(51)	-29%
Profit before Impairment & Tax Charges	54	55	3%
Impairments	(25)	(25)	0%
Income Tax	(4)	(5)	7%
Net Profit	25	26	4%

3

Key Ratios

	Dec-20	Dec-21	Sep-22
Total Capital Adequacy	17.70%	17.74%	17.55%
CET1	12.45%	12.89%	12.83%
Non-Performing Loan Ratio	4.53%	5.11%	5.74%
ROSHE	5.71%	4.64%	6.37%
ROA	0.71%	0.58%	0.79%
Net Interest Margin	2.35%	2.01%	2.51%
Cost to Income Ratio	50.06%	57.21%	47.96%
Net loan to customers Deposits	114.13%	112.45%	114.16%

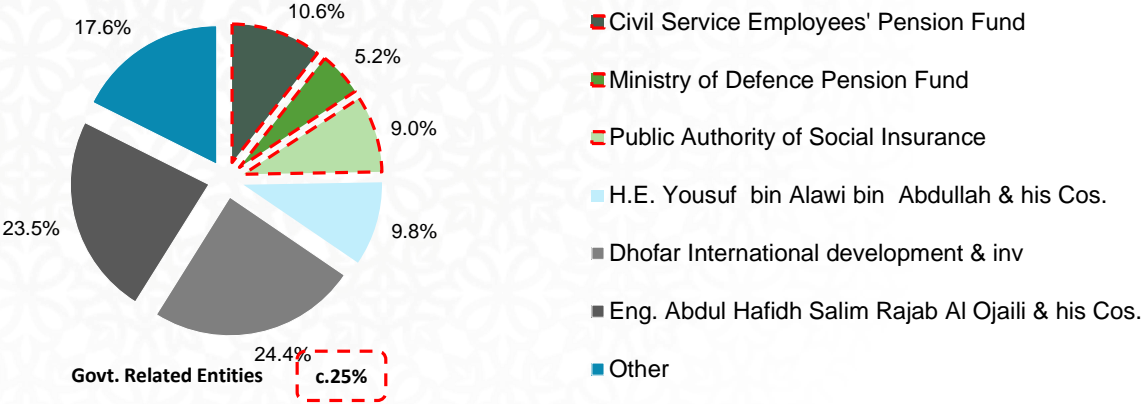
4

Highlights

- **Second largest listed bank in Oman** by total assets of OMR 4.38 billion and 1,508 employees as of Q3 2022.
- **Market share in Oman** Assets (12%) Loans (12%) Deposits (11%)
- **Strong capital position** with CAR at 17.55% and CET1 at 12.83% as of Q3 2022, which are well above the minimum regulatory requirements (12.25% and 8.25% respectively)
- **Bank's Operating profits** increased from RO 47.37m [Sep-21] to RO 55.50m [Sep-22] an increase of 17.17%

Ownership Structure & Asset composition

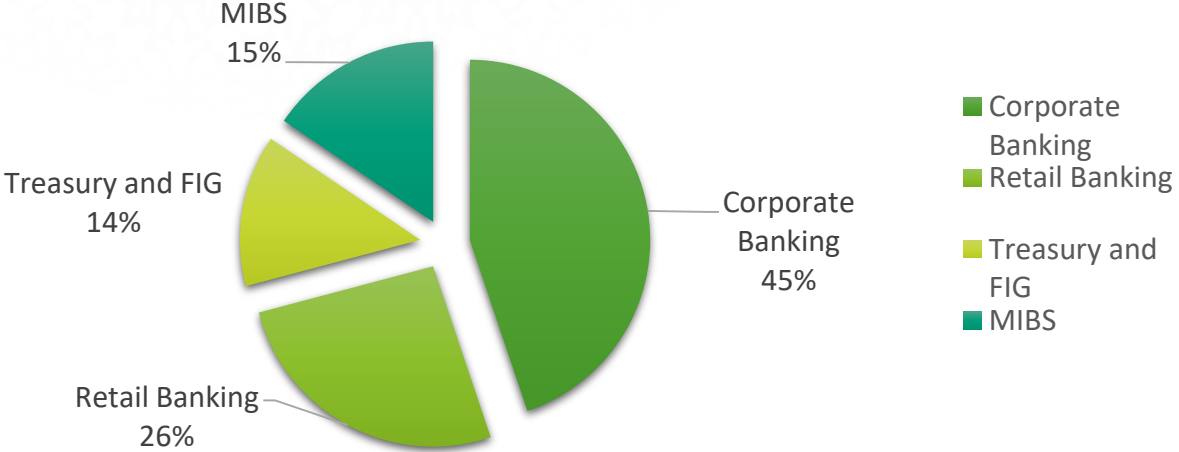
Ownership Structure (as on 30th September 2022)



Strong Relations with the Omani Government and GREs

- ▶ 25% ownership by Government related entities 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, 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 Q3 2022

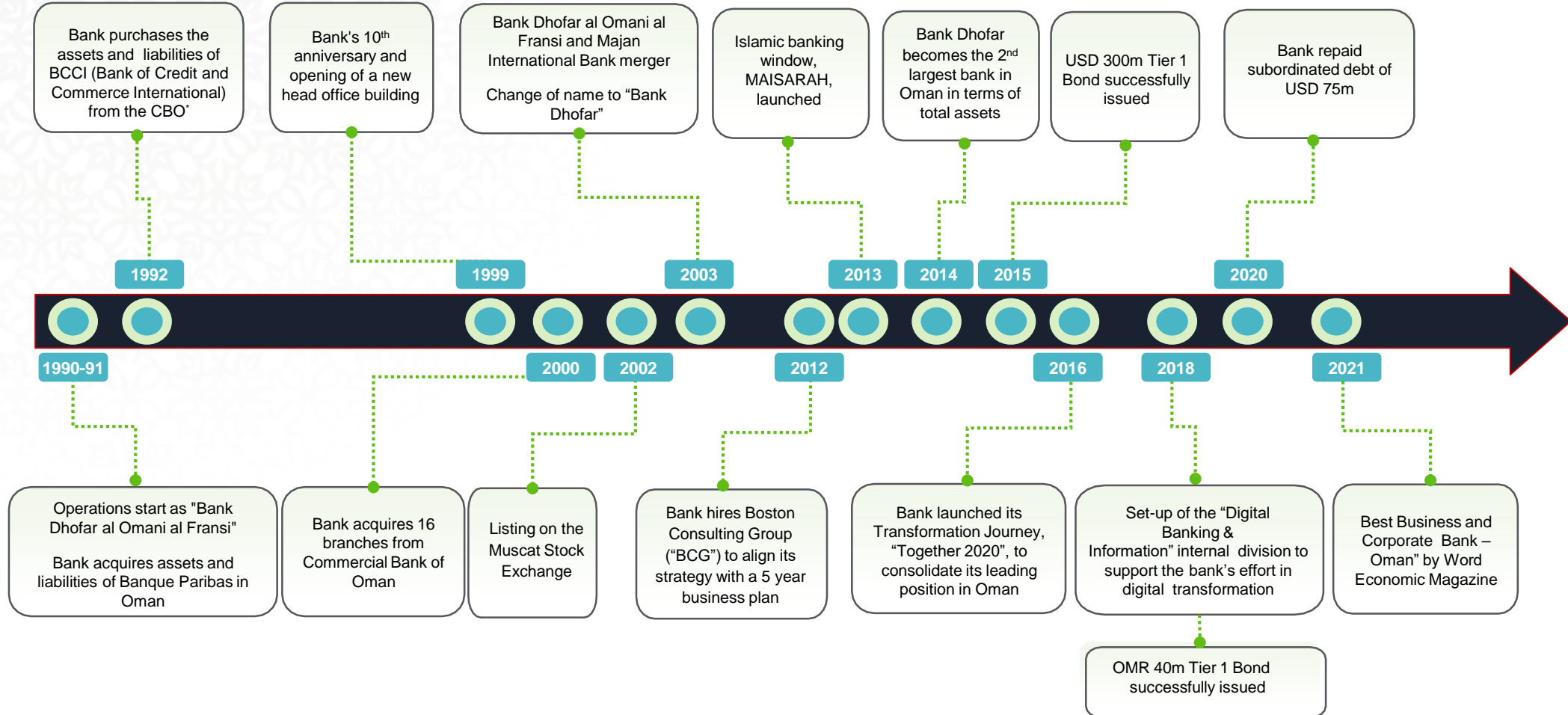


Operating Income Segmental Split as of Q3 2022



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

- » 2nd largest 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 (64 branches (including 10 Islamic branches), 122 ATMs, 57 CCDMs¹, 23 FFMs² and 3 MFKs³ as of 30th September 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 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.

4. Solid and Robust Capitalisation

- » Strong capital position with CAR at 17.55% and CET1 at 12.83% as of September 2022, which are well above the minimum regulatory requirements (13.5%⁴ 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. Multi-Function Kiosk ("MFKs")
 4. Including capital conservation buffers

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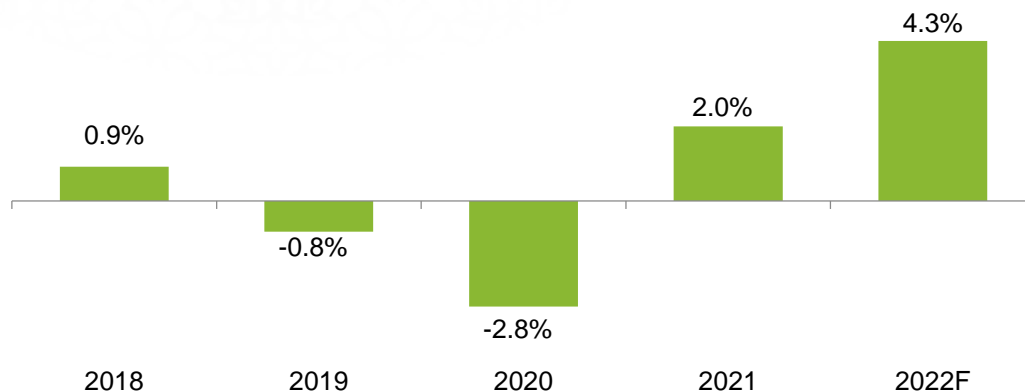
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Overview of Sultanate of Oman

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** - 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 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 projected to reach 4.3% in 2022 (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 – October 2022

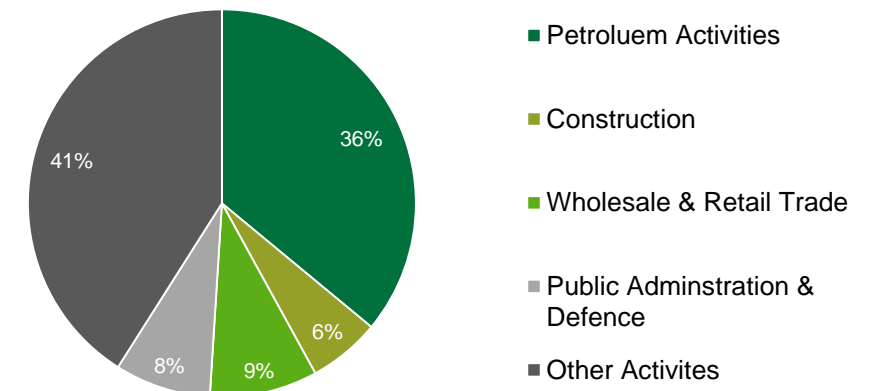
Key Figures



Key Indicators	Dec-21
Sovereign Ratings (Moody's / S&P / Fitch)	Ba3/B+/BB
Gross Domestic Product	USD 85.87bn ¹
Gross Domestic Product Per Capita	USD 15,743 ¹
Inflation	1.50%
Population	4.5 million

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

GDP Composition (March 2022)³



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

Omani Banking Sector

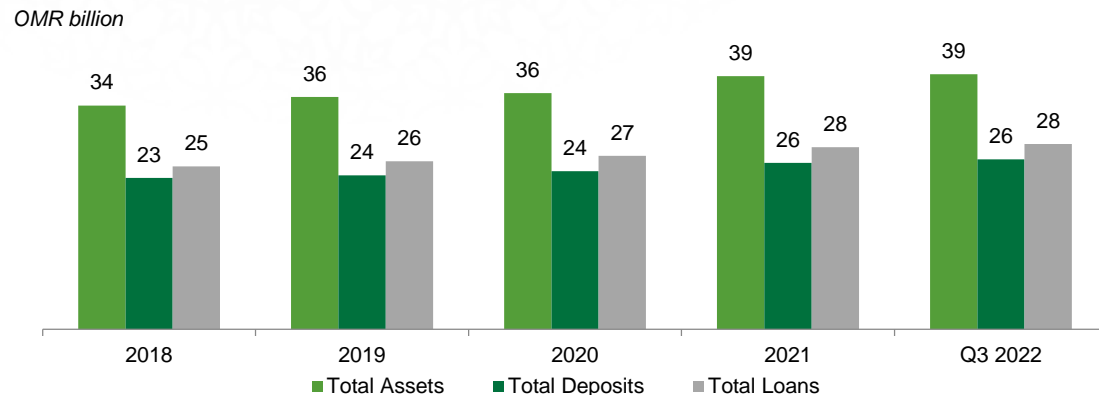
Overview of the Omani Banking Sector

- ▶ 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 August 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”)

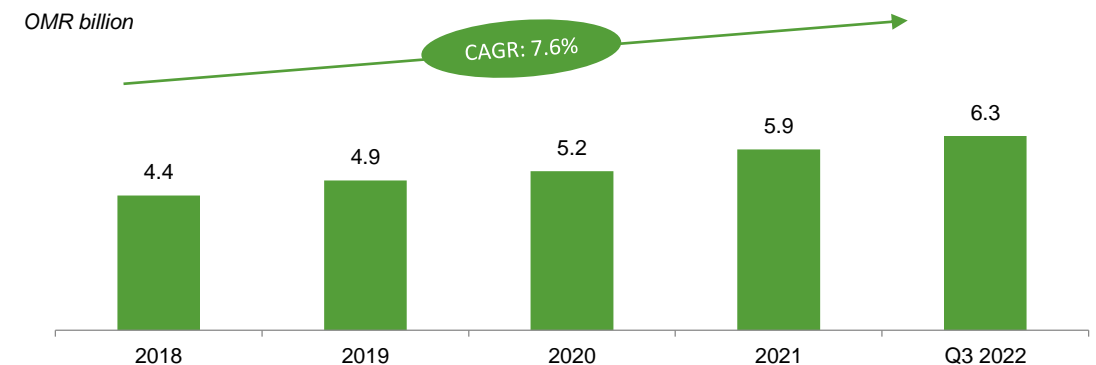
- ▶ Several regulatory and supervisory initiatives have been implemented by the CBO to develop a competitive and sound banking system
- ▶ Imposing robust bank capitalization levels
 - ▶ Implementation of Basel III regulation
 - ▶ Introduction of a Prompt Corrective Action framework (the PCA) in 2005,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



Source: CBO Monthly Statistical Bulletin August 2022

Islamic Banking Assets of Omani Banks



Source: CBO Monthly Statistical Bulletin August 2022

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Business Segments

Retail Banking Group

- Provides banking services to over 301,000 individual customers as of 30th September 2022
- Network of 64 branches (including 10 Islamic branches), 122 ATMs, 57 CCDMs¹, 23 FFMs² and 3 MFks³ as of 30th September 2022
- 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 Banking Group

Corporate Banking

- Solid client base with corporate banking products and services provided to approximately 22,000 corporate/SME customers as of 30th September 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

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.

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.

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)

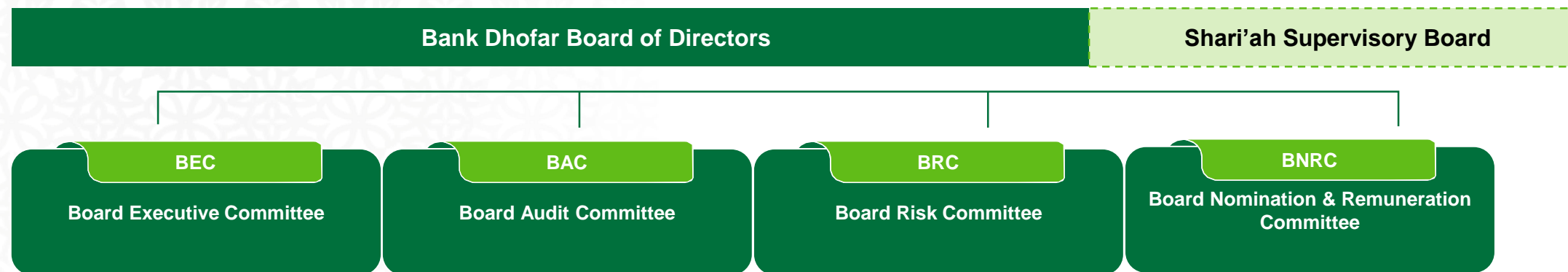
Sep-22 - Retail	OMR mn	% of Total
Total Assets	1,141	26%
Operating Income	31.279	29%

Sep-22 - Corporate	OMR mn	% of Total
Total Assets	1,964	45%
Operating Income	51.812	49%

Sep-22 - Treasury & FI	OMR mn	% of Total
Total Assets	596	14%
Operating Income	7.485	7%

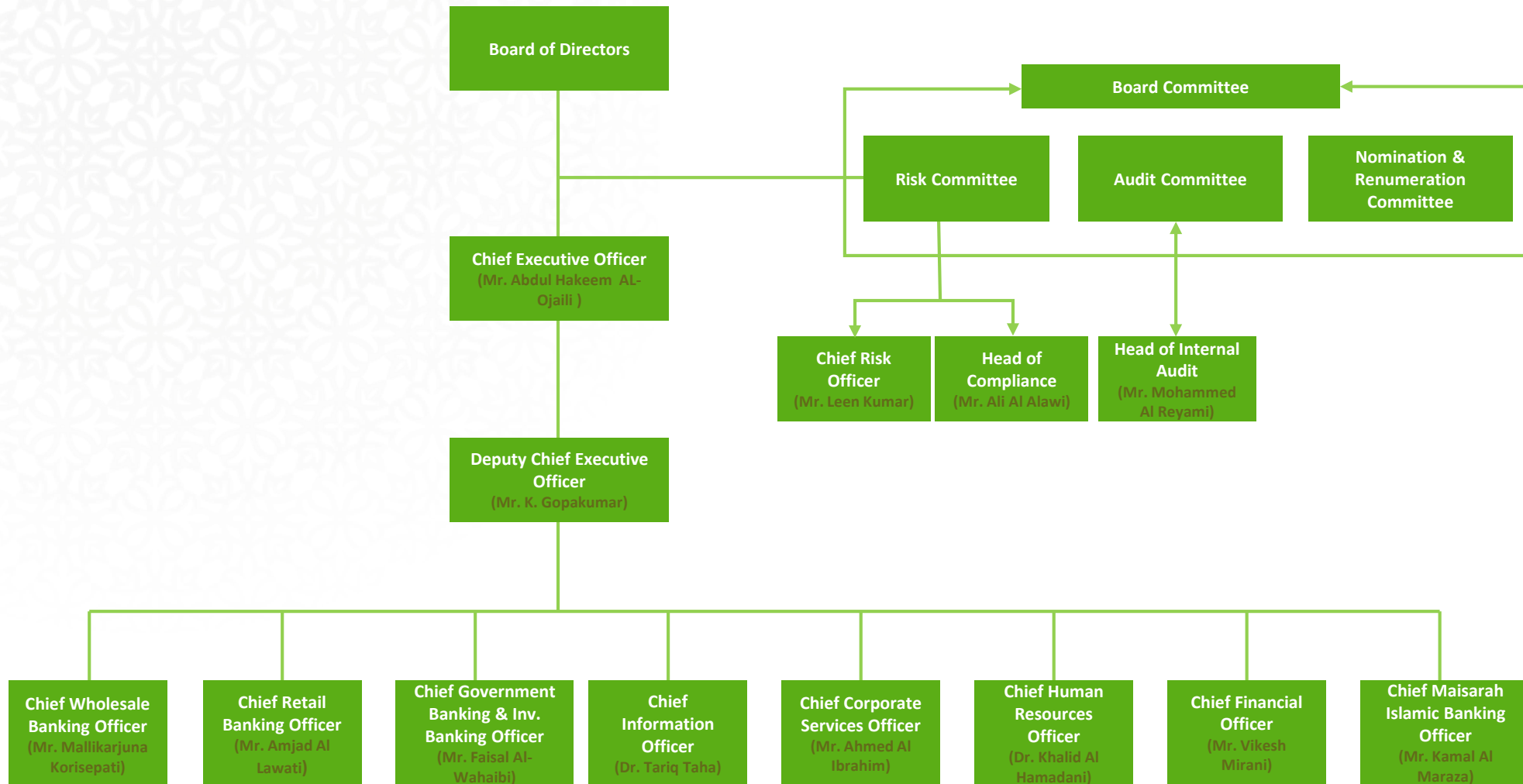
Sep-22 - Maisarah	OMR mn	% of Total
Total Assets	680	15%
Operating Income	16.058	15%

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	Non-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



“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



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



Strengthen Bank Dhofar’s business through inorganic expansion



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

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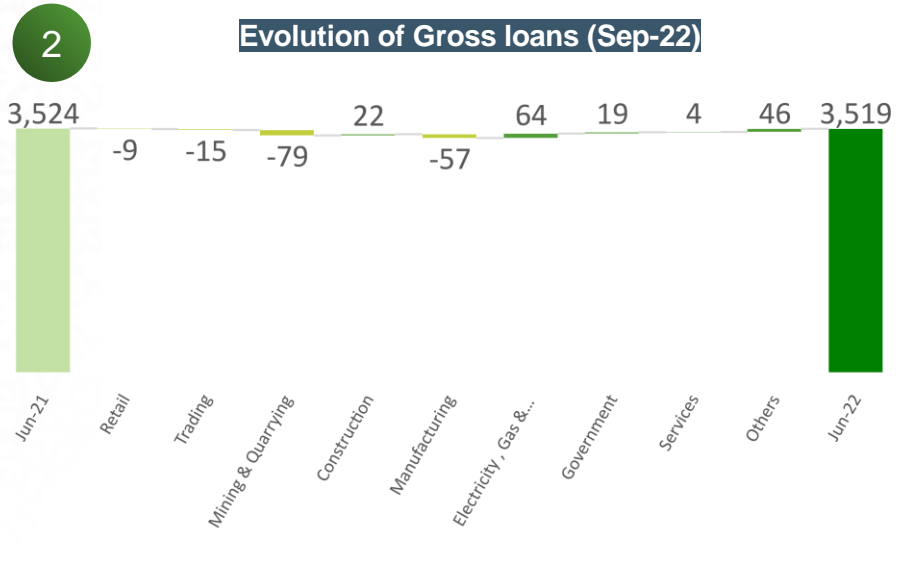
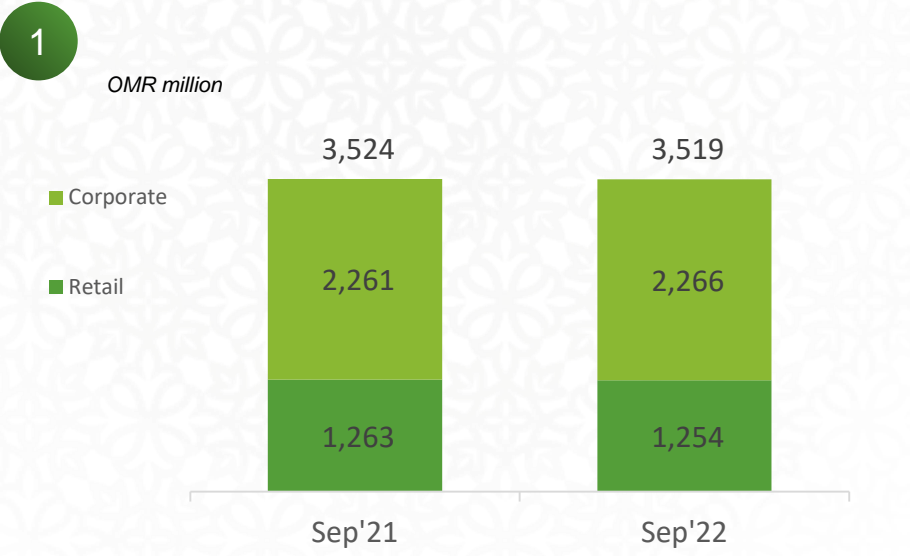
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Profit and Loss Statement at a Glance.

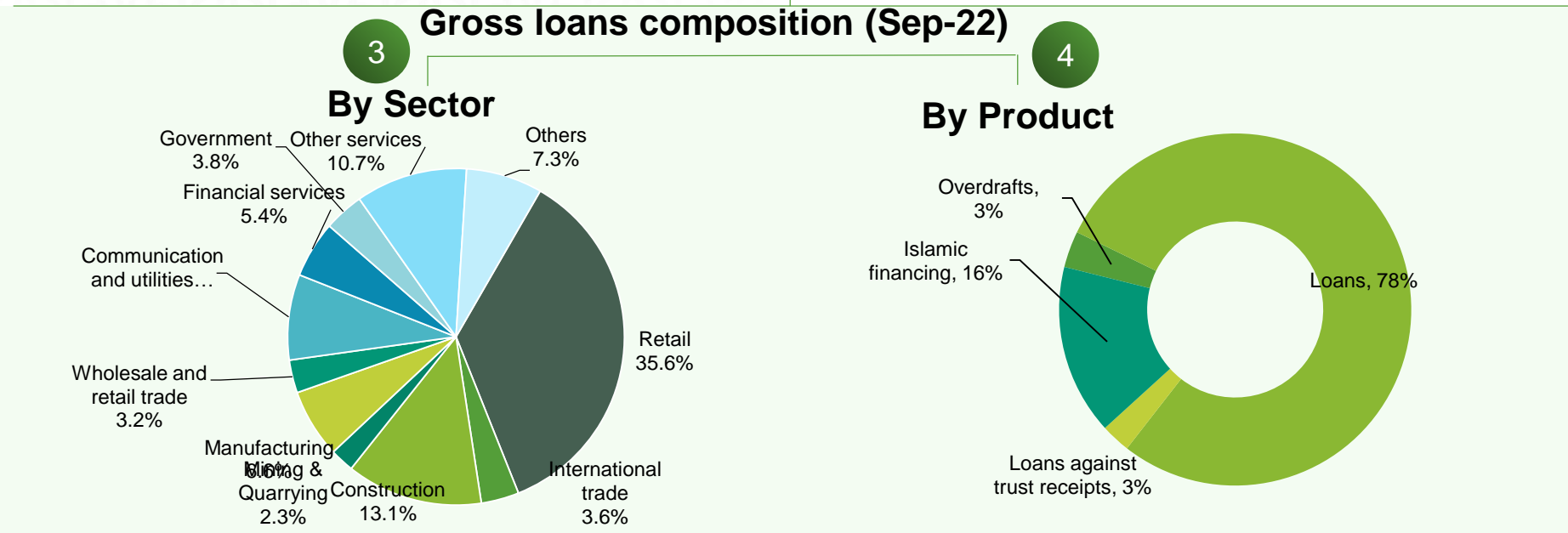


- Total operating income YTD Sept-22 is OMR 106.6 Million, which is above by 9.41% as compared to OMR 97 Million recorded during YTD Sept-21.
- Total operating profit YTD Sept-22 is higher than YTD Sept-21 by 17.14%.
- The YTD net profit after tax is lower by 7.77% when compared with OMR 28.29 million achieved YTD Sept-21.
- There has been an increase of 71% of net provision for impairment made during Sep 22 compared to Sep 21 resulting in net profit being lower on a YoY basis, despite a higher operating

Gross Loans and Advances



- 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.

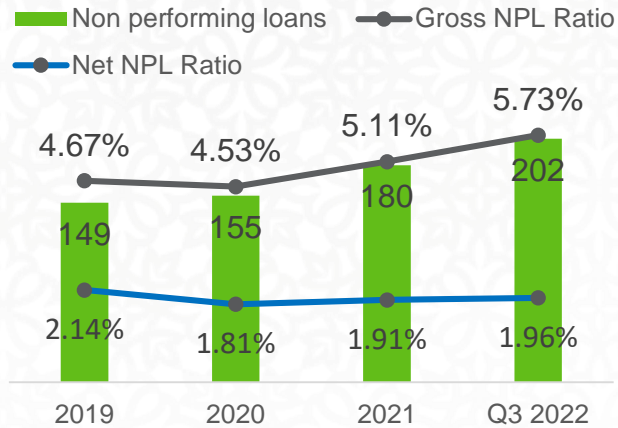


Credit Quality

1

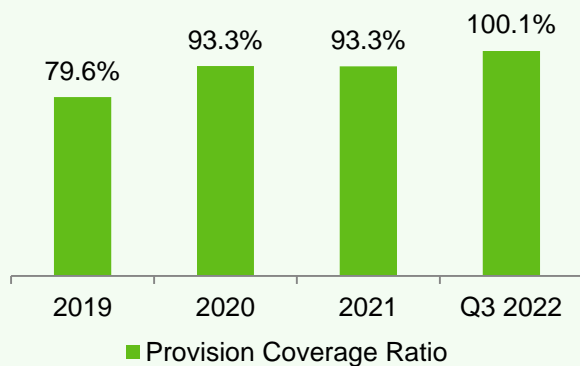
Non-performing loans and Gross NPL Ratio

OMR million



2

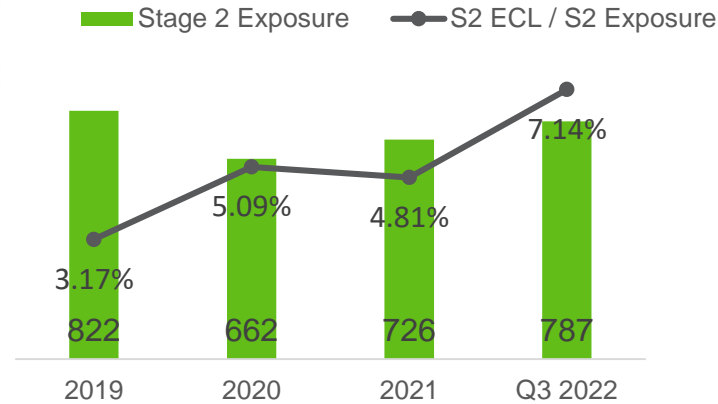
Non-Performing Loans Coverage Ratio



3

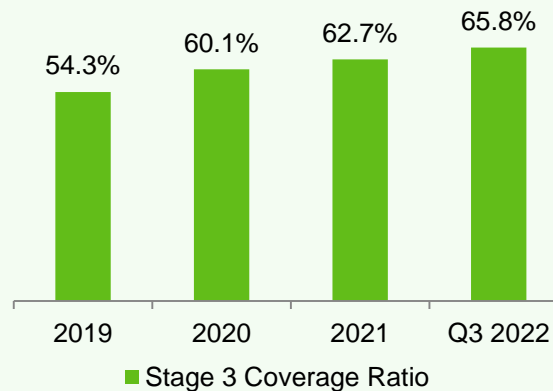
Stage 2 Exposure & ECL

OMR million



4

Stage 3 Coverage Ratio *



* Total funded ECL stage 3 against funded stage 3 Exposure

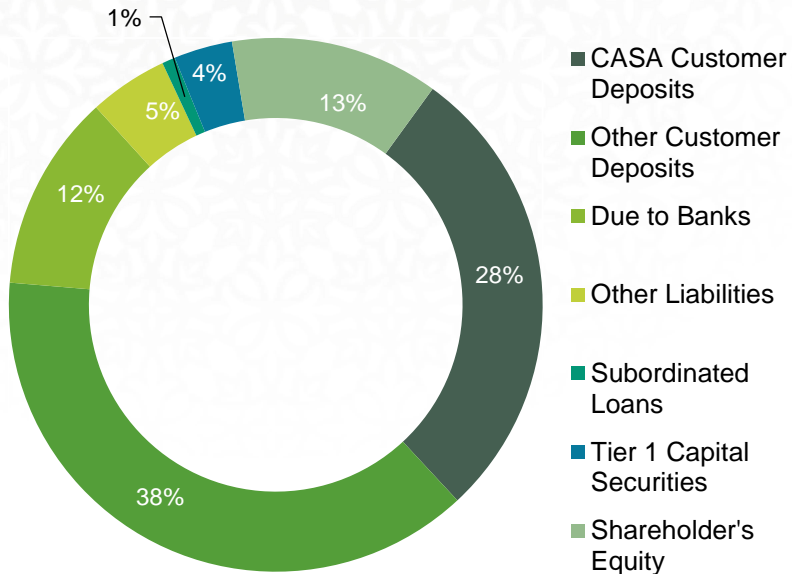
- Gross NPL ratio stood at 5.73%
- Net NPL (net of interest reserve & ECL) has slightly reduced to 1.96% from 2.14% in 2019
- NPL coverage ratio (total funded ECL stage 1,2&3 against funded stage 3 NPL) continues to improve and stood at 100.1% as at the end of Q3-22.
- Stage 2 ECL to Exposure ratio has increased to 7.14% from 3.17% in 2019.

- Stage 3 coverage ratio up to

Funding & Liquidity

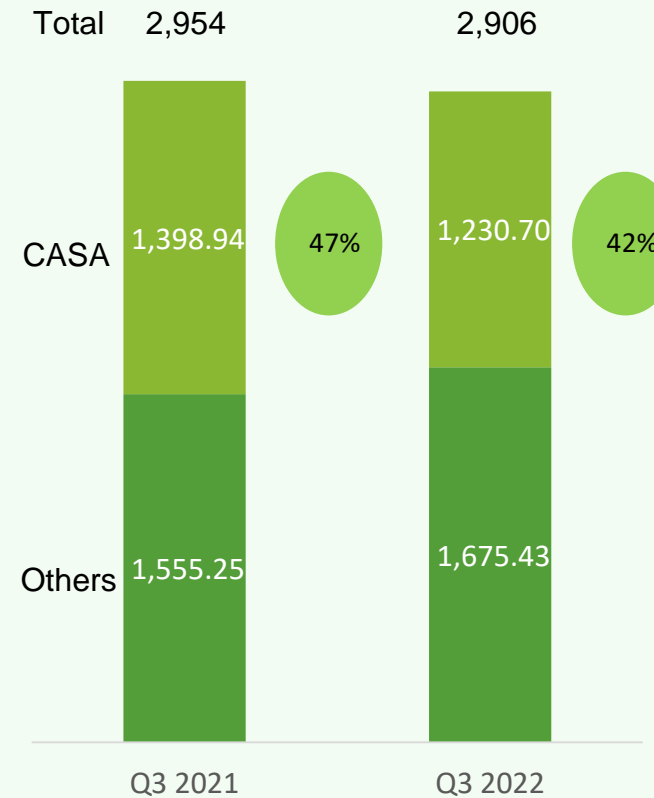
1

Funding Mix



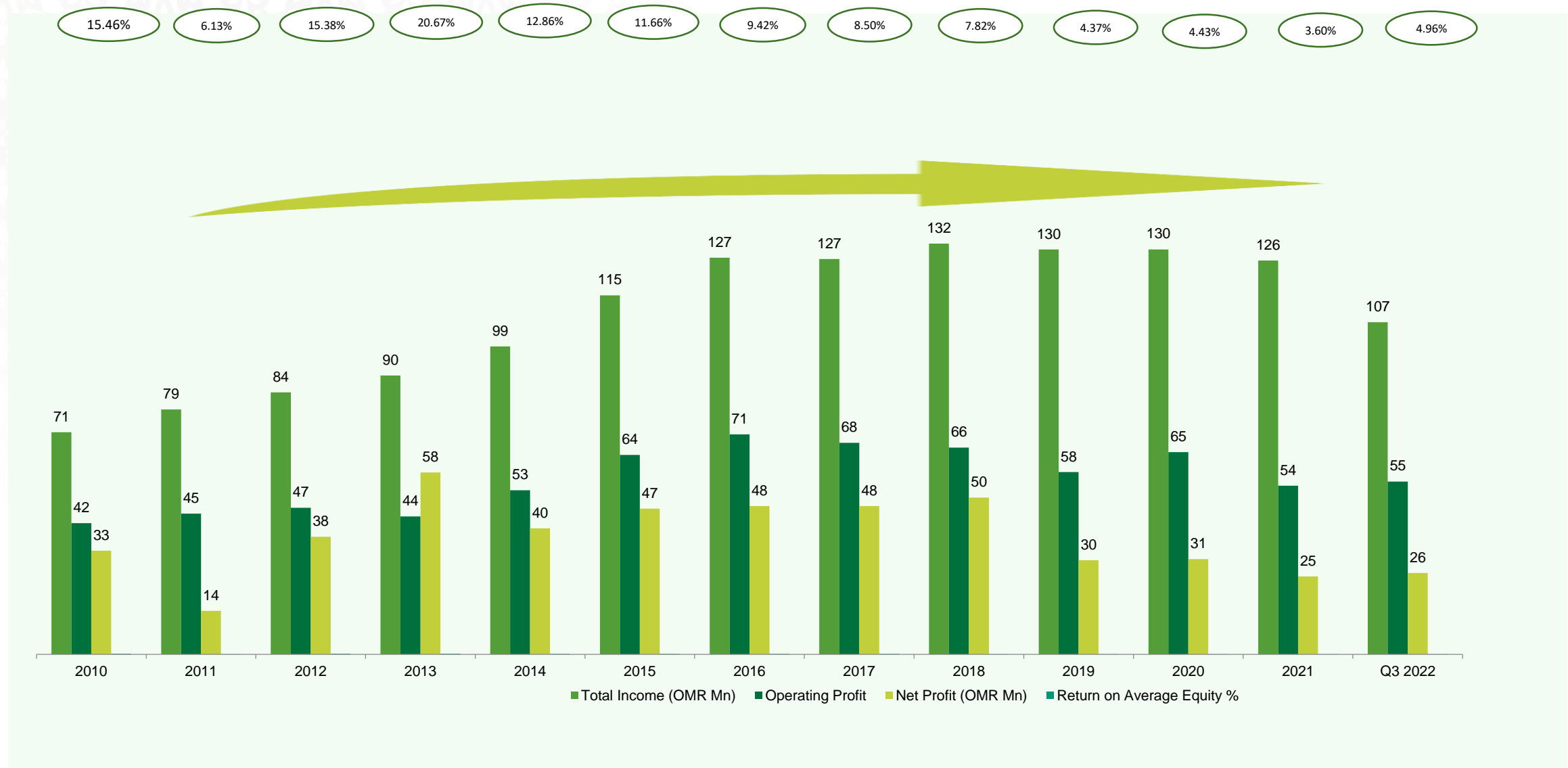
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Customer Deposits



- The customer deposits are slightly skewed towards term deposits with CASA's constituting only 42% of the total 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

Consistently profitable due to diversified and resilient business model

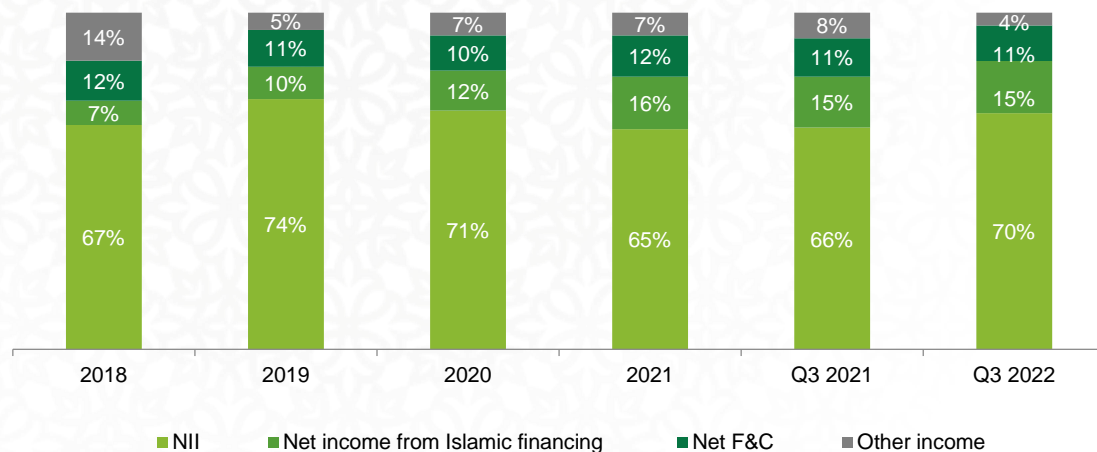


Profitability and Performance

1

OMR million

Net Revenue Breakdown



- Operating income has remained relatively stable in previous years. The income has started improving in the 3rd quarter of the year 2022 mainly due to lower COF as compared to previous years.
- Decline in net profit in 3rd quarter of 2022 as compared to same period last year is mainly due to increase in net provisions as the Bank continues to de-risk its balance sheet and improve coverage ratios.
- Evolution of RoAE should be looked at in conjunction with the improvement of the Bank's CET1 – resulting in a higher capital base.

2

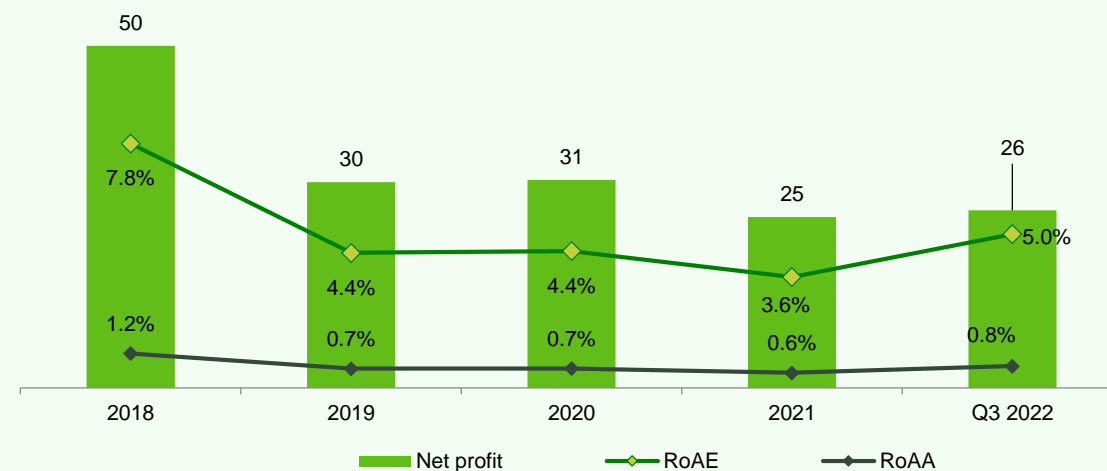
Non-Funded Income

Non-funded income (OMR'000)

	Dec-18	Dec-19	Dec-20	Dec-21	Q3 2022
Net fees & commission income	15,604	14,227	13,589	15,447	11,336
Foreign exchange	4,562	4,268	6,841	5,088	2,084
Investment income	(13)	444	336	2,197	66
Miscellaneous income	2,945	1,967	1,587	1,291	1,873
Total Non-funded income	23,098	20,906	22,353	24,023	15,359

Net Profit and Annualised Return on Average Assets & Equity

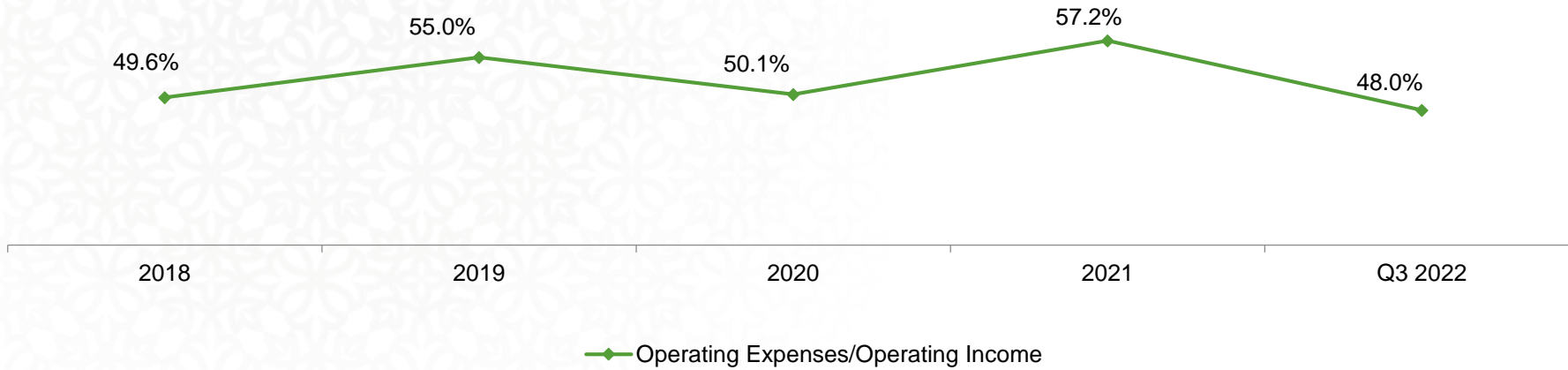
OMR million



Operating Expenses

1

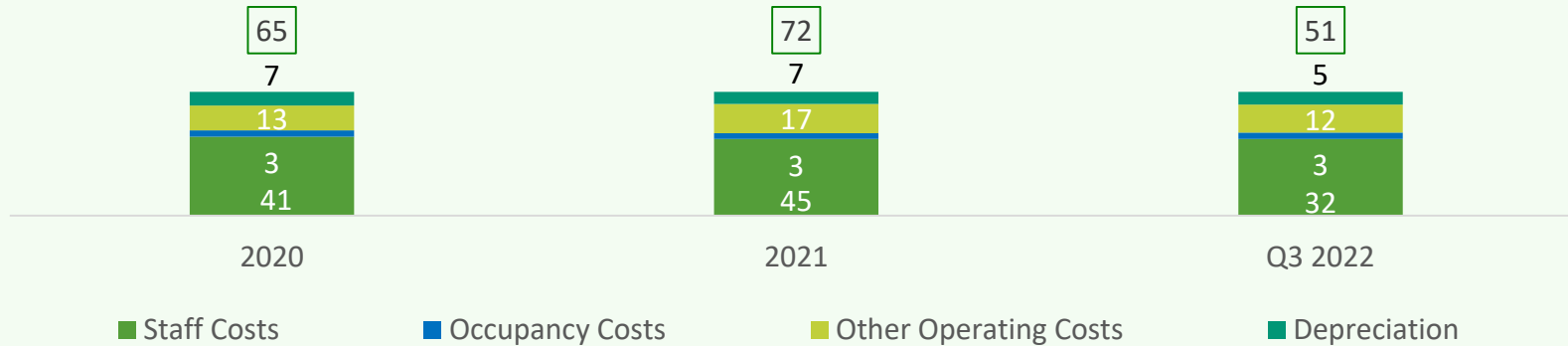
Cost to Income Ratio



2

Operating Expenses Breakdown

OMR million

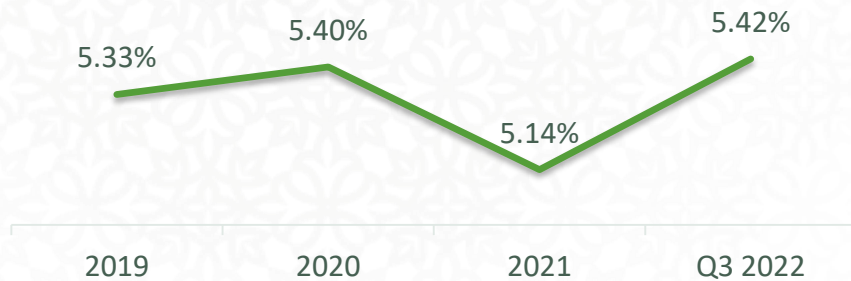


- The improvement in cost to income ratio is primarily attributable to increased operating income and active cost management.
- The bank has made significant investments in technology and streamlining operational process in the bank to improve controls and improve efficiency.
- The benefit of these investments will accrue in the coming years and is expected to further bring down the cost to income ratio.

Yield, COF & NIM Analysis

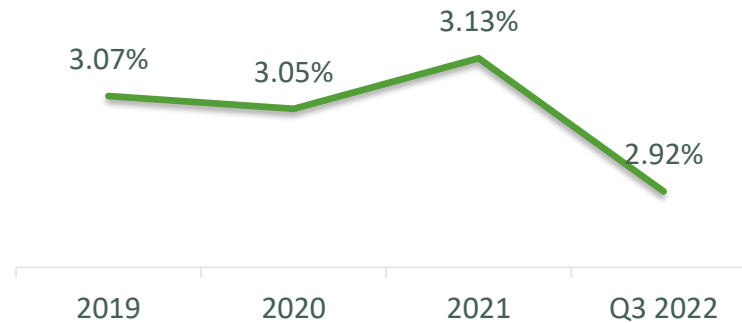
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Asset Yield



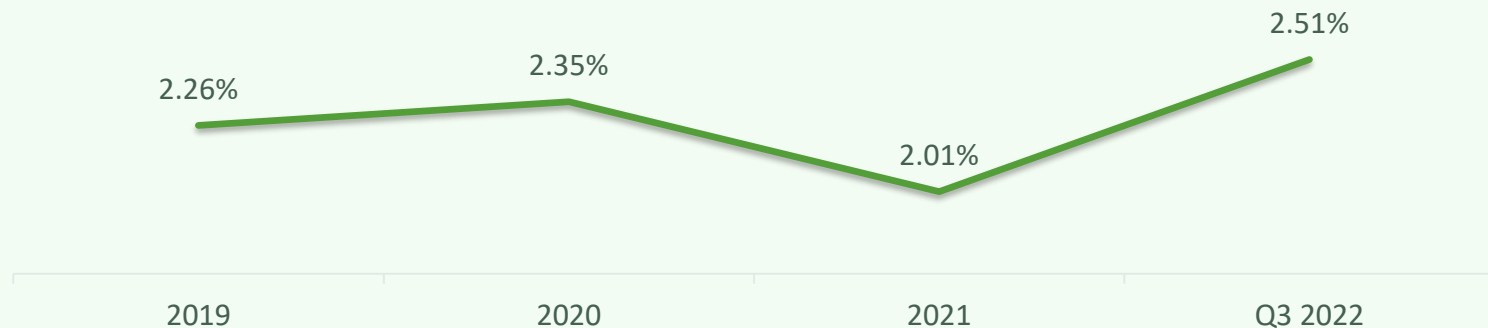
2

Cost of Funds



3

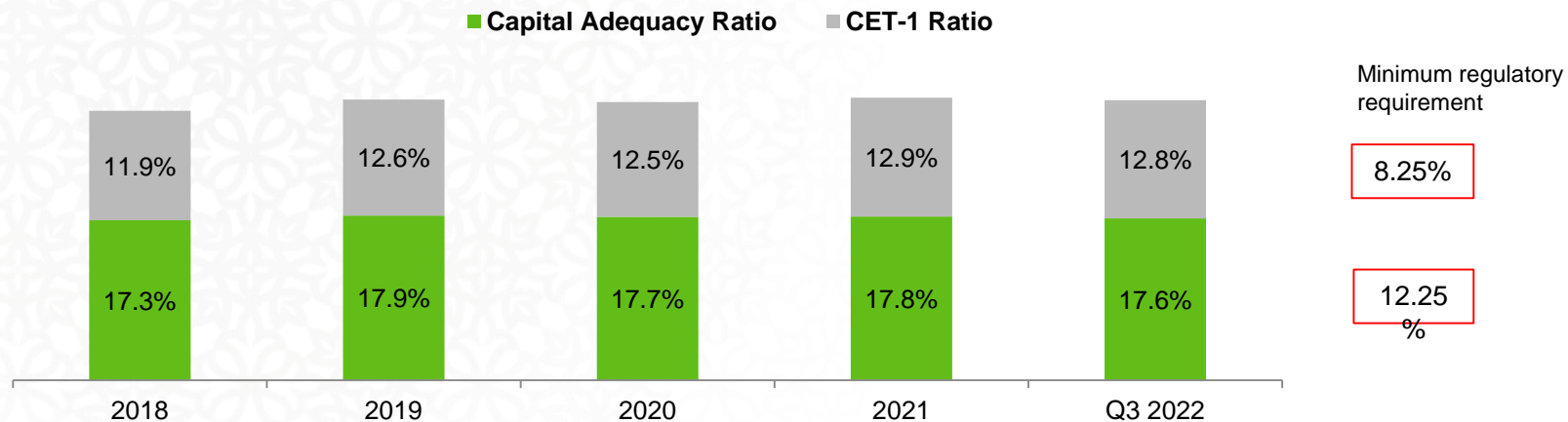
NIM



- The Yield has increased by 0.28%; Cost of Funds decreased by 0.21%; 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



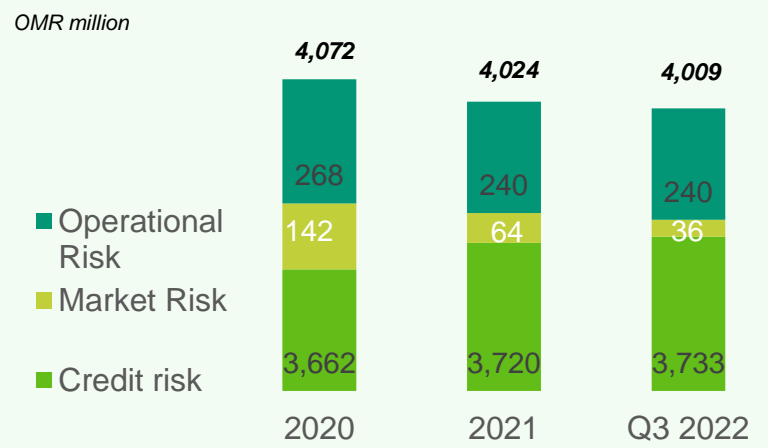
➤ *Healthy CAR and a comfortable capital position thanks to a combination of share holder's equity, retained earnings and balance sheet optimization.*

➤ *The Bank is reporting capital ratios comfortably above minimum regulatory requirements*

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

2

Risk Weighted Assets



3

Dividend History (FY 2021)

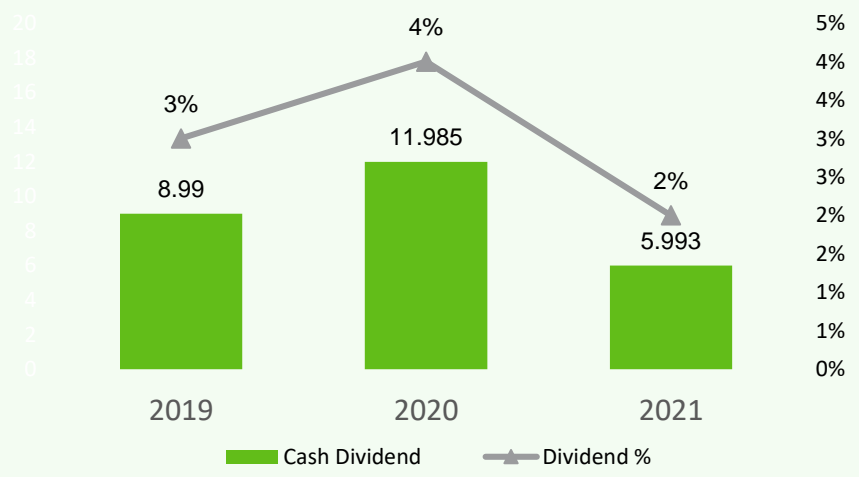


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Conclusion

- 1 ● Operating Profit increased by 17.1% in Q3 2022
- 2 ● Cost to Income ratio declined and stood at 48.0% as at Q3 2022
- 3 ● Focus on increasing footprint
- 4 ● Focus on improving asset quality and prudent provision management
- 4 ● Experienced Management team focused on driving performance

THANK YOU!

Our latest financial information and events can be found in Bank Dhofar website



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