

# **BANK DHOFAR S.A.O.G.**

## **THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER 2010**

### **Dear Shareholders,**

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present you the Bank's Financial Statements and the Auditors' Report for the financial year ended 31 December 2010.

### **Milestones in 2010**

Our Bank was voted as the "Best Bank" by the Oman Economic Review-Gulf Bader Capital Markets Best Bank in Oman Survey. Also, The Business Today, Best Banks Survey, conducted by Ernst & Young has selected Bank Dhofar as the Sultanate's leading bank, reclaiming the number 1 ranking for the financial year 2009. Further, the Bank was also adjudged as the "Best Bank in Oman" by Euromoney. Besides the above, the Bank also received the prestigious award from Alam Aliktisaad Wala'mal for being one of the Top Performing Companies in the country. Our keen perception of customer requirements has enabled us to understand and extend products and services in line with the current and emerging needs, establishing high quality and standards in customer satisfaction. This has helped us stand out amidst the local financial market.

### **The Bank's Financial Performance in 2010**

The Bank stood firm to fundamentals with strict adherence to prudent risk management practices and clear strategy plan that focuses on diversifying the activities of the Bank. This approach has enabled the Bank to witness appreciable growth in most of the financial indicators in the year 2010, with the total assets recording a sustainable growth of 10.3% from RO 1,509.3 million at the end of December 2009 to reach RO 1,664.3 million at end December 2010. The net loans and advances to customers were monitored cautiously and the same has also achieved a growth of 5.7% from RO 1,194.2 million at the end of 2009 to reach RO 1,261.7 million at the end of December 2010. Further, customer deposits mobilized by the bank achieved an impressive growth of 13.5% from RO 1,101.2 million at the end of 2009 to reach RO 1,249.6 million at the end of 2010.

The key profitability indicators have also achieved good growth, as net interest income grew from RO 49.2 million achieved during 2009 to reach RO 57.3 million during the year 2010 signifying a substantial growth of 16.5%. Non-interest income such as fees and commissions, foreign exchange profit, investment and other income have however shown a decline of 10.8% to reach RO 14.1 million during the year 2010 as compared with RO 15.8 million achieved in the previous year.

The cost to income ratio during the year 2010 was maintained as an acceptable level of 40.9% and this shows a good management of costs and revenues by the Bank. The provision for loan impairment during the year is RO 6.56 million as against RO 11.71 million provided during the previous year, a decrease of 43.93%. Recoveries from loan impairment made during the year 2010 amounted to RO 2.82 million as compared to RO 1.52 million achieved in 2009, signifying a growth of 85.0%.

The net profit for the year 2010 after the above charge off and recoveries increased by 31.1% to post RO 33.3 million in the year 2010 from RO 25.4 million achieved in the previous year. This has resulted in an increase in Earnings per Share (EPS) from RO 0.031 in the year 2009 to RO 0.041 in the year 2010.

### **New Core Banking Solution**

The implementation of the new Core banking solution 'Finacle' was successfully completed in the month of July 2010 resulting in improvement of the banking services from all delivery channels. This new customer friendly solution would enable the Bank to adopt advanced banking practices and to be more competitive in terms of new products and services besides instituting better monitoring controls.

### **Corporate Governance**

The Bank has fully complied with all directives of the Code of Corporate Governance issued by the Capital Market Authority. The Bank has also assessed and reviewed the internal control procedures of the Bank during the year 2010.

In compliance with article (101) of the Commercial Companies Law No. 4/1974 and its amendments, the Board of Directors would like to disclose that the total amount received in 2010 as sitting fees was RO 71,000 and the proposed remuneration for the year is RO 129,000.

### **Proposed Dividends**

The Board of Directors reviewed and assessed the dividend pay-out and retention to reinvest the current year profit, taking in consideration the future growth of the Bank's activities and operations. The Board recommends cash dividend of 12.5% amounting to RO 10.17 million and a Bonus share issue of 12.5%, translating to 101,693,148 shares of RO 0.100 each, of the share capital of the Bank. We will also transfer an amount of RO 7.7 million to subordinated loan reserve as per the requirements of the Bank for International Settlement (BIS) for the purpose of Capital Adequacy calculation.

The percentage of dividends distributed in the last five years is as follows:

<b>Year</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Cash Dividends	10%	15%	25%	15.5%	15%
Bonus Shares	10%	15%	-	4.5%	10%

### **Acknowledgment**

On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence they have reposed in the Bank. I thank the shareholders for your continuous support and the Bank's staff and management for the good performance in 2010.

The Board of Directors also wishes to thank the Central Bank of Oman for its valuable guidance to the local banking sector.

Finally, on behalf of the Board of Directors, I would like to express our most sincere gratitude to His Majesty Sultan Qaboos Bin Said for his wise leadership and generous support to the private sector.

Eng. Abdul Hafidh Salim Rajab Al-Aujaili  
**Chairman**