

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

## **THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

### **Dear Shareholders,**

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present to you the Bank's Financial Statements and the Auditors' Report for the financial year ended 31 December 2008.

### **The Bank's Financial Performance in 2008**

The Bank continued to achieve good results during the year 2008 despite the global financial crisis in the last quarter. The financial indicators reflected remarkable growth as the total assets increased from RO 955.13 million at the end of 2007 to RO 1,323.82 million in December 2008, a growth of 39%. The gross loans and advances improving by a healthy 42%, from RO 750.04 million at the end 2007 to reach RO 1,068.77 million at the end of 2008. Also, the customer deposits raised by the Bank recorded an impressive growth of 44% and increased from RO 674.50 million at the end of 2007 to RO 971.60 million at the end of 2008.

Further, all the key profitability indicators achieved significant growth, as net interest income increased from RO 30.36 million during 2007 to reach RO 39.90 million during the year 2008 signifying a growth of 31%. Non-interest income such as fees and commissions, foreign exchange profit, investment income and other income grew by 19% and reached RO 16.27 million during 2008 compared to RO 13.68 million achieved in the previous year. We have reduced the cost to income ratio from 38.5% in 2007 to 37.6% in 2008, which indicates that our revenues grew at a better rate than our costs. The operating profit of the Bank as a result of the above factors grew by 29% from 27.08 million generated in 2007 to RO 35.06 million in 2008. The impairment due to prolonged and significant decline in market value of both local and global investments during the year ended December 2008 is RO 4.86 million and it has been charged off to profit and loss in accordance with the International Financial Reporting Standards.

The net profit for the year 2008 after the above charge and provisions for non-performing loans, grew by 4% to reach RO 23.69 million from RO 22.79 million achieved in 2007. The earnings per share (EPS) at the end of 2008 was RO 0.044 as compared to RO 0.043 in 2007.

### **Rights Issue**

Our Bank successfully accomplished one of the largest rights issues in the local market to raise RO 70.77 million from the existing shareholders through issue of 176.9 million ordinary equity shares in December 2008. As per the Bank's business strategy the proceeds from this issue will be used to fund the planned current and future business growth. The shareholders' equity post-rights issue increased from RO 110.50 million at the end of 2007 to RO 188.43 million at 31 December 2008. In this regard we would also like to extend our sincere thanks to all our shareholders for the trust and confidence reposed in our Bank and for making this "Rights Issue" a grand success.

### **New Core Banking System**

To enable the Bank's vision of transformation to reach the next level of business growth and customer service, the Bank has chosen Finacle Universal Banking solution from Infosys. As part of this strategic initiative, the Bank would implement a New Core Banking system which will cover all banking activities, Customer Relationship Management, Treasury, Internet Banking and Mobile banking solutions for its operations and channels for the customers. The introduction of new age technology-based robust banking software would make the Bank more competitive and enable it to adopt world class banking practices to offer distinctive services to the customers.

### **Corporate Governance**

The Bank has fully complied with all directives of the Code of Corporate Governance issued by the Capital Market Authority. Also during 2008 the Bank assessed and reviewed the internal control procedures of the Bank.

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 2008 as sitting fees was RO 71,800 and the proposed remuneration for the year is RO 128,200.

### **Proposed Dividends**

The Board of Directors recommends 15.5% cash dividends amounting RO 10.97 million , and a Bonus share issue of 4.5%, translating to 31,848,224 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 percentages of dividends distributed in the last five years is as follows:

<b>Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Cash Dividends	15%	15%	10%	15%	25%
Bonus Shares	-	-	10%	15%	-

### **Acknowledgment**

On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence they have reposed in the Board of Directors and the management of the Bank. I thank the shareholders for your continuous support and the Bank's staff and management for the good performance in 2008.

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 and the employees and the management of the Bank, 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**