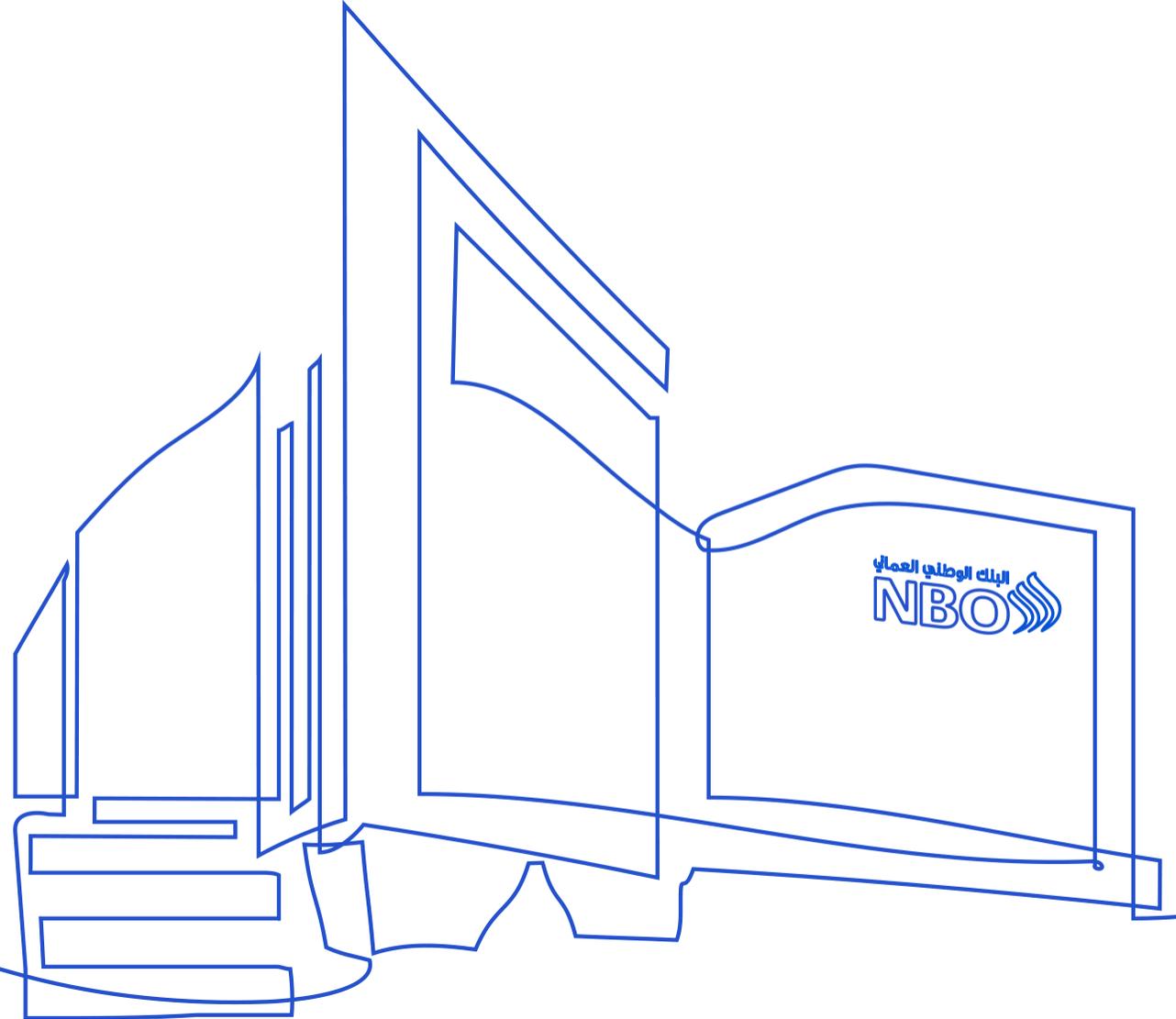


# Investor Presentation

March 2023  
nbo.om



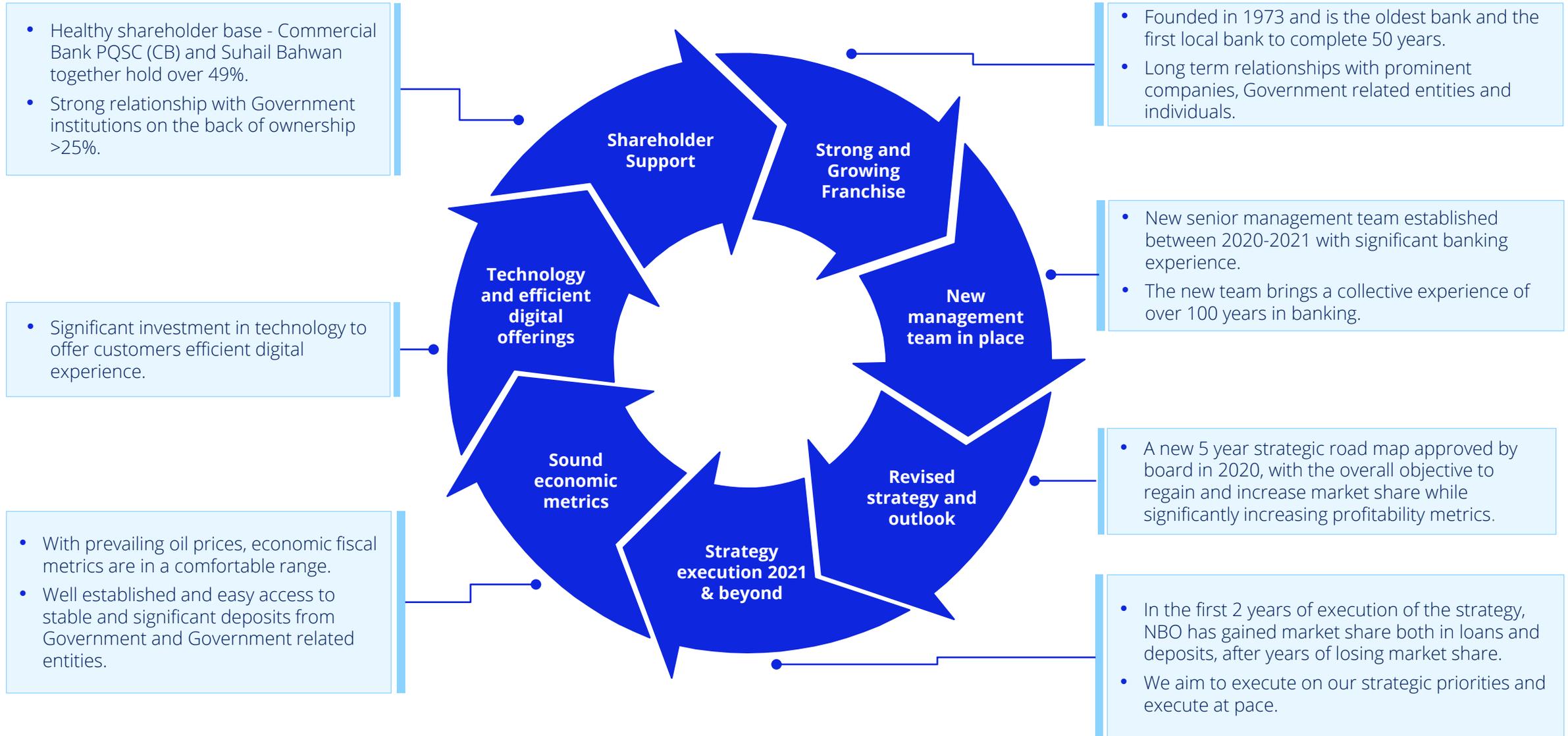
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# Table of Contents

- Key Messages and Priorities
- Operating Environment
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# Key Messages



# Our Priorities

## Strategic Priorities

### 1 | Safeguard

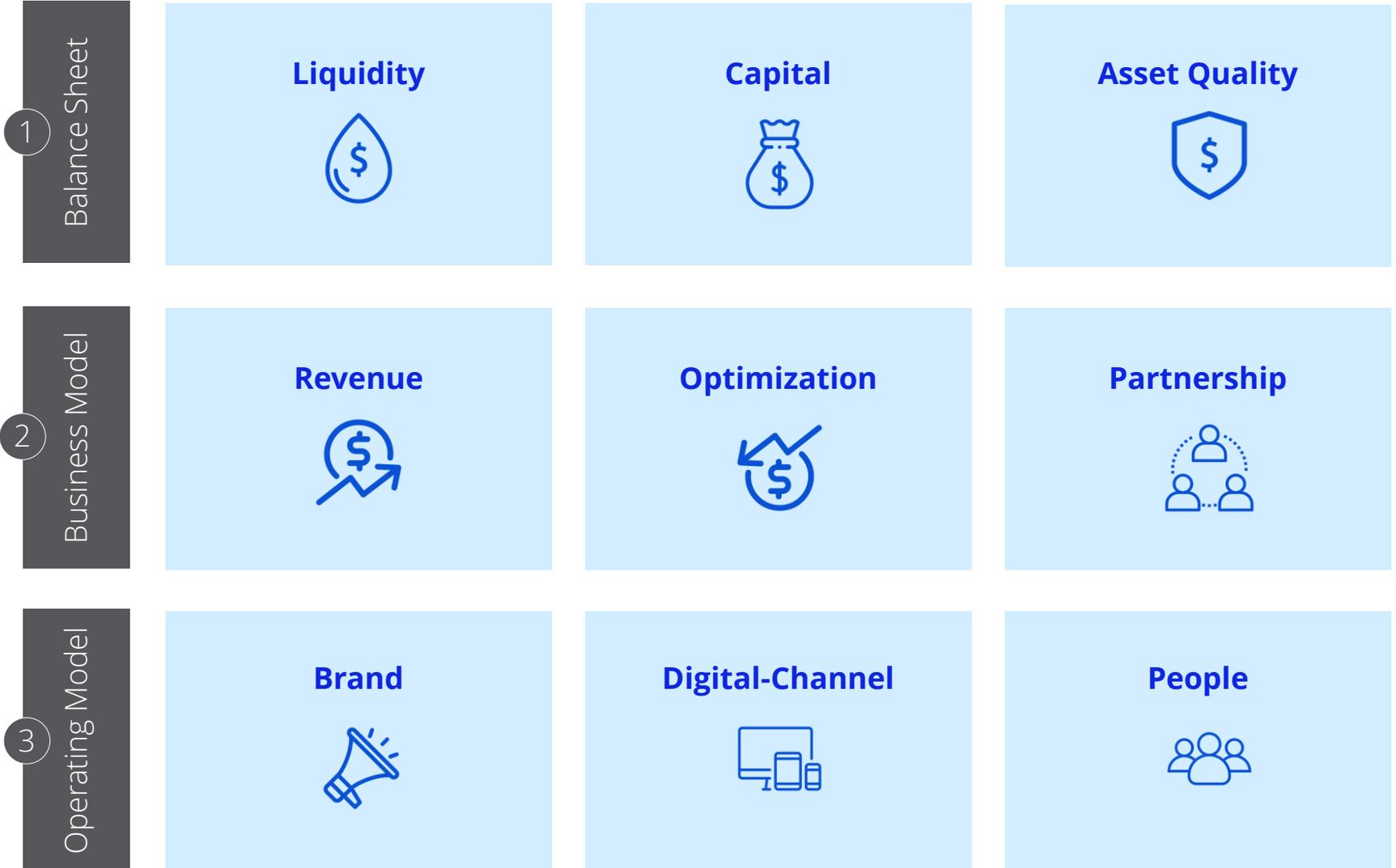
In context of the uncertain conditions ensure the bank maintain healthy levels of funding and capital, whilst guarding asset quality

### 2 | Value Creation

Actively drive cost optimization plus bolstering income by focusing on low risk revenues streams and leveraging existing client base & partnerships

### 3 | Sustainability

Continue to invest into build lasting capabilities and digitise the bank's operating model for greater appeal and scale



# Oman's Economic Overview

## Economic Diversification Strategy With Fiscal Prudence

### OVERVIEW

- The Sultanate of Oman is the second largest country by geographical area among the states of the GCC region, after Saudi Arabia. It is spread over 309,500 km<sup>2</sup>, and has a 2,092 km coastline. It is strategically placed at the mouth of the Arabian Gulf
- Population of Oman is approximately 4.9 million (Dec 2022), with Omani nationals comprising 2.9 million and expatriates comprising 2.0 million of the overall figure. Population has increased by 9% YoY
- Oman's nominal economy expanded by 30% percent YoY in 2022 and Real GDP increased by 4.3% over the same period.
- Public Government debt as a percentage of GDP has fallen from 70% in 2020 to 43% as at end 2022 as per State General Budget. It is expected to fall further in 2023
- Government's budget for 2023 was based on oil price at USD 55 per barrel

### SULTANATE OF OMAN ECONOMIC SNAPSHOT

<b>Geography</b>	309,500 km <sup>2</sup> , Oman is the second largest country in the GCC region
<b>Population</b>	4.9 million (Dec 2022)
<b>Credit Rating</b>	Moody's: Ba2 (Positive); S&P: BB (Positive); and Fitch: BB (Positive)
<b>Nominal GDP</b>	USD 114.5 billion (2022, NCSI)
<b>GDP per Capita</b>	US\$ 23,215 (NCSI)
<b>Fiscal surplus</b>	Surplus c. 2.68% of GDP (2022, NCSI/CBO)

Positive Rating outlook by All Rating Agencies

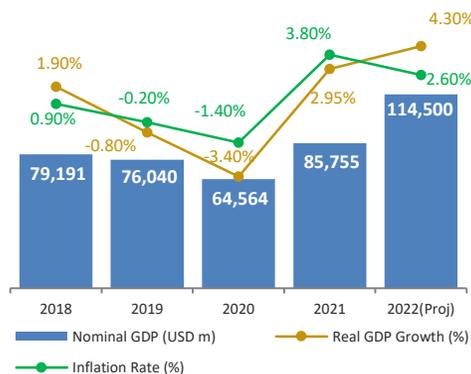
**Moody's:** The positive outlook captures the prospect that the improvements in the government's debt metrics will be sustained over the next few years, despite lower oil prices, through maintenance of spending discipline and further implementation of fiscal and structural reforms.

**S&P:** The positive outlook reflects our view that the government's fiscal and economic reform program could strengthen Oman's fiscal position beyond our current assumptions, adding a greater degree of resilience against the economy's structural susceptibility to adverse oil price shocks

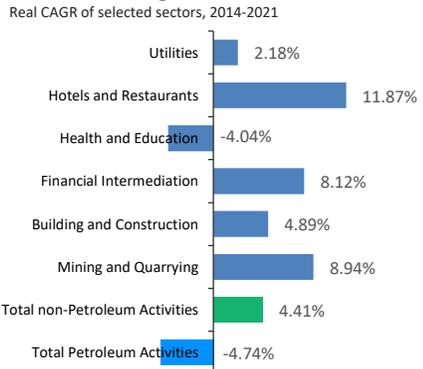
**Fitch:** The Positive Outlook reflects lower government debt/GDP, with high oil prices and spending restraint reducing external liquidity risk. Fiscal reform should be sufficient to limit a deterioration of Oman's budget, debt/GDP ratio and external position under our assumption of lower oil prices this year and next.

### CHALLENGING MACROECONOMIC CONDITIONS WITH A WELL DEFINED ECONOMIC DIVERSIFICATION PLAN

#### Headwinds to GDP Growth

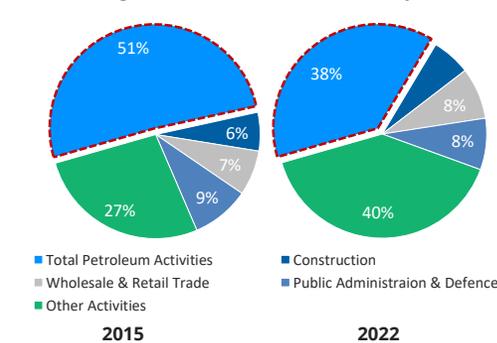


#### .. with Non-hydrocarbon sectors having the commendable growth

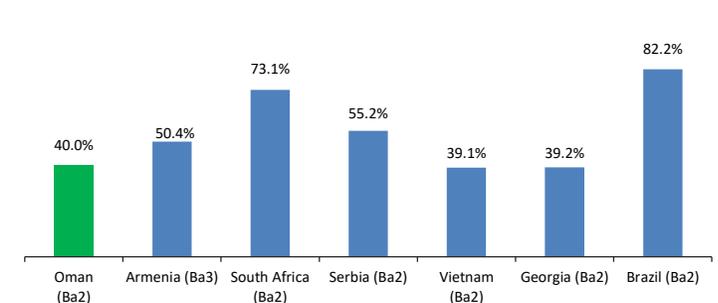


### MODERATE DEBT TO GDP LEVELS AS COMPARED TO BB\* RATE PEERS

#### .. leading to a more diversified economy



#### Gross Government debt to GDP (2022 estimates)



# The Oman Banking Sector

## OVERVIEW

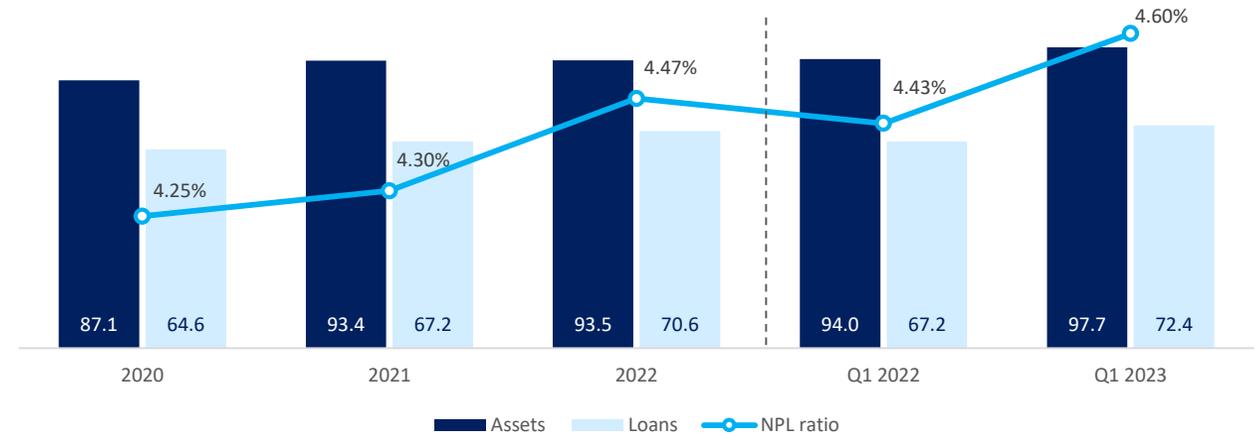
- Oman's Banking sector risk is assessed to be "BB" by Fitch which is underpinned by the sector's strong capitalization.
- Aggregate deposits for the banking sector in 2022 showed a YoY growth of 0.3%. The loans for the same period grew by 4.5% YoY.
- However, the Omani banking system is fairly concentrated with top four banks (NBO included) accounting for nearly three fourth of total credit and banking profits.
- Although the banking assets have shown 2.6% CAGR over last 5 years, several banking profitability metrics have been trending lower than pre-pandemic levels.
- There has been an improvement in the above situation with most banks showing better profitability and asset quality metrics since 2020.
- CBO a strict but supportive regulator has introduced various regulation to support banks as well as borrowers.
- Given the contraction experienced and anticipated in the economy, consolidation is likely over the medium term.

### Rating outlook – Banking sector

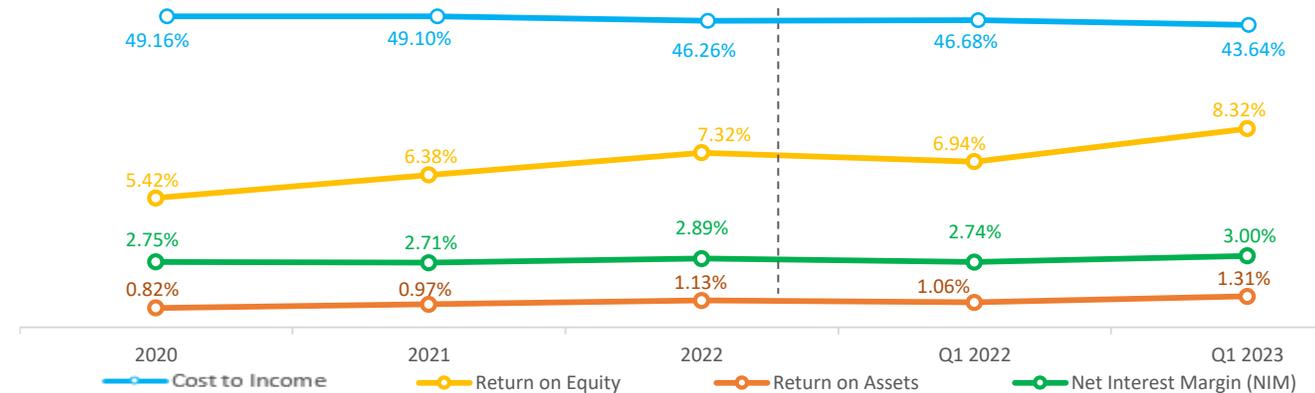
- The rating agency has changed outlook for the Omani banking system to stable from negative to reflect a partial recovery in the challenging operating conditions facing the banks.
- As per the report expect economic growth to accelerate to 4% in 2022, fuelled by a boost in oil production, before slowing to 2.4% in 2023.
- Loan growth will likely accelerate slightly as the economy recovers and strengthening business and consumer confidence increases demand for credit.
- Profitability will remain steady and the banks will maintain solid capital buffers. Deposit growth will continue to lag loan demand, keeping funding flows relatively tight. Overreliance on government deposits remains a key risk for the banks.
- Oman banking sector has ample liquid resources, however, which are adequate to cover their market funding exposure.
- Their view also takes into account that the Government of Oman (Ba3 stable) has limited capacity to support the country's banks in case of need.

## MAJOR BANKS ASSETS AND LOANS INCREASED BY 4% & 8% YOY

USD billion



## KEY RATIOS OF MAJOR BANKS



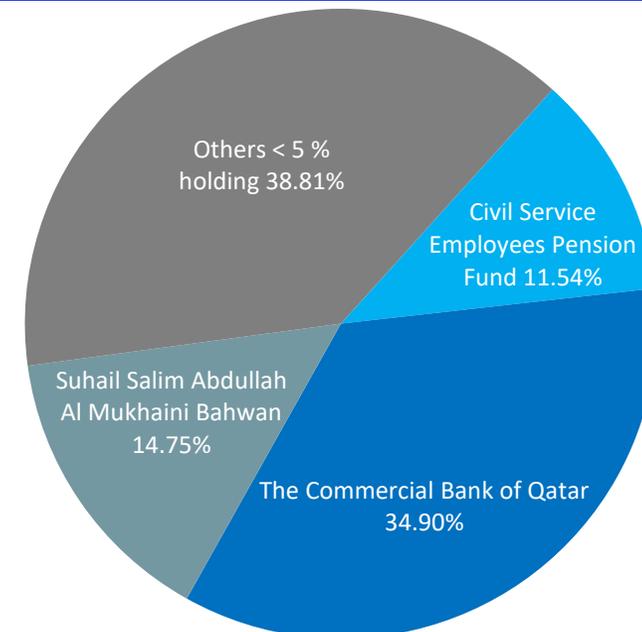
Source: Published FS of top 8 listed Oman banks including NBO

# The First Omani Commercial Bank

## OVERVIEW

- National Bank of Oman SAOG (“NBO” or the “Bank”) was the **first incorporated Bank in the Sultanate of Oman** (“Oman”) - established in 1973 as a joint stock company, providing conventional and Islamic banking services.
- The Bank’s shares are listed on the Muscat Stock Exchange (“MSX”).
- The Bank employed 1,432 employees as at 31<sup>st</sup> December 2022 and is the third largest bank by total assets in Oman accounting to USD 11.2 billion as at 31<sup>st</sup> December 2023.
- As at 31<sup>st</sup> March 2023, NBO serves approximately half a million retail customers and 25,000 corporate and SME customers via 66 branches and 203 ATM and CCDM units.
- In addition, the Bank has two overseas branches in the **UAE (Dubai and Abu Dhabi)** and in the process of closing the branch in **Egypt**.
- The Bank operates via four main segments namely, retail banking, wholesale banking, international banking and Islamic banking.
- As at 31<sup>st</sup> March 2023, approximately NBO had 13.2% market share on loans and 12.8% market share in deposits.

## OWNERSHIP (as at Dec2022)



## CREDIT RATING

Rating Agency	Period	Long-term Rating	Outlook
<b>MOODY'S</b>	May 2023	Ba2	Positive
<b>FitchRatings</b>	May 2023	BB-	Positive

## KEY FINANCIALS

In USD Millions	2020	2021	2022	Q1 2022	Q1 2023
<b>Total Assets</b>	9,435	10,600	11,153	11,060	11,518
<b>Net Loans</b>	7,501	8,022	8,711	8,284	8,871
<b>Deposits</b>	6,564	7,579	7,915	8,139	8,439
<b>Operating Income</b>	304	320	359	86	98
<b>Net Profit</b>	47	79	125	27	37
<b>Tier 1</b>	15.4%	15.0%	16.3%	15.0%	16.3%
<b>Total CAR</b>	16.4%	15.8%	16.9%	15.6%	16.9%
<b>Loans to Deposit Ratio</b>	114.3%	105.9%	110.1%	101.8%	105.1%
<b>NPL Ratio</b>	5.6%	5.3%	4.9%	5.2%	4.6%
<b>Cost/Income</b>	54.6%	51.5%	43.8%	43.8%	40.3%

# Key Financial Highlights

Net Profit for Q1 2023 was USD 37 million, a growth of 40.1 per cent over corresponding period last year.

Net Interest Income for Q1 2023 was USD 75 million, representing an increase of 34.1 per cent compared to last year.

Cost to Income ratio in Q1 2023 improved to 40.3 per cent compared to 43.8 per cent for the corresponding period last year.

Net Impairment for Q1 2023 was USD 14 million, compared to USD 17 million for the corresponding period last year, a reduction of 17.6 per cent.

Gross loans and advances as of 31st March 2023 are at USD 9.3 billion, grown by 6.9 percent over same period last year.

Customer deposits as of 31st March 2023 are at USD 8.4 billion, grown by 3.7 percent over same period last year.

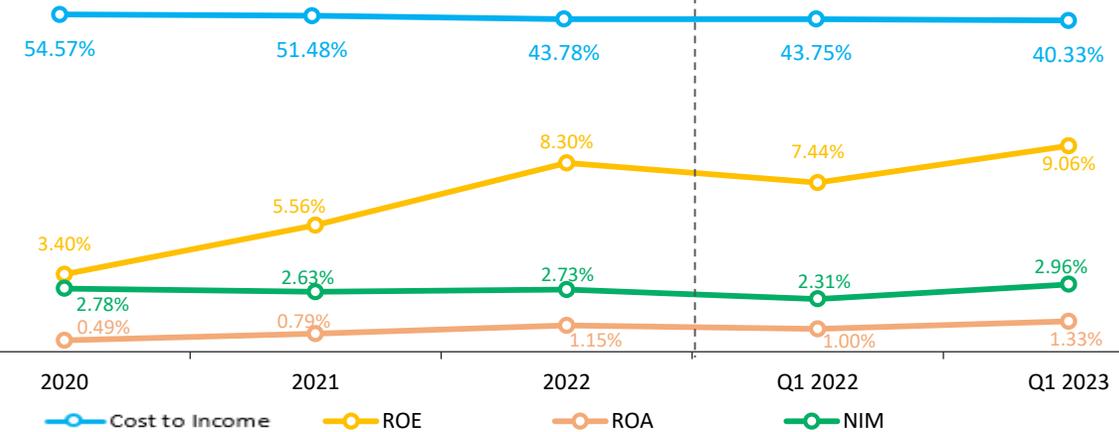
Pursuant to the perpetual capital issuance of USD 134.1 million, the bank's core equity ratio and total capital adequacy ratio stands at 11.9 per cent and 16.9 per cent respectively in Q1 2023.

# NBO - Operating Performance

## OVERVIEW

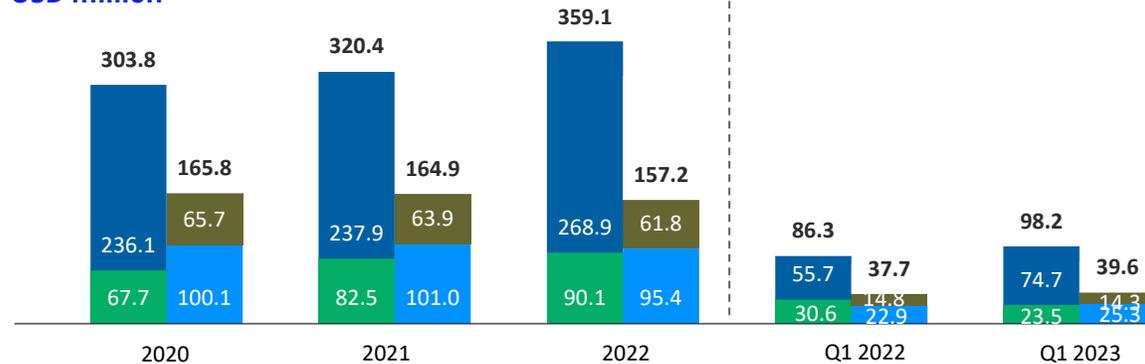
- Net Interest income for Q1 2023 increased by 34.1 per cent compared to Q1 2022. This is driven by strong growth in loan volumes.
- The bank continued to invest in people and systems, despite Cost-to-Income ratio for Q1 2023 was 40.3 per cent compared to 43.8 per cent for the corresponding period last year, a decrease of 3.4 per cent.
- Return metrics improved - ROA for Q1 2023 was 1.33% compared to 1.0% in Q1 2022. ROE for Q1 2023 was 9.06%, increased by 162 bps as compared to 7.44% in Q1 2022.
- Net Impairment for Q1 2023 decreased by 17.6%. The reduction is on account of conservative provisioning approach undertaken in the previous years, subsequently there has been improvement to the economic activities and borrower profiles reflected in the lowered expected credit losses.

## KEY PROFITABILITY METRICS



## OPERATING INCOME COMPOSITION

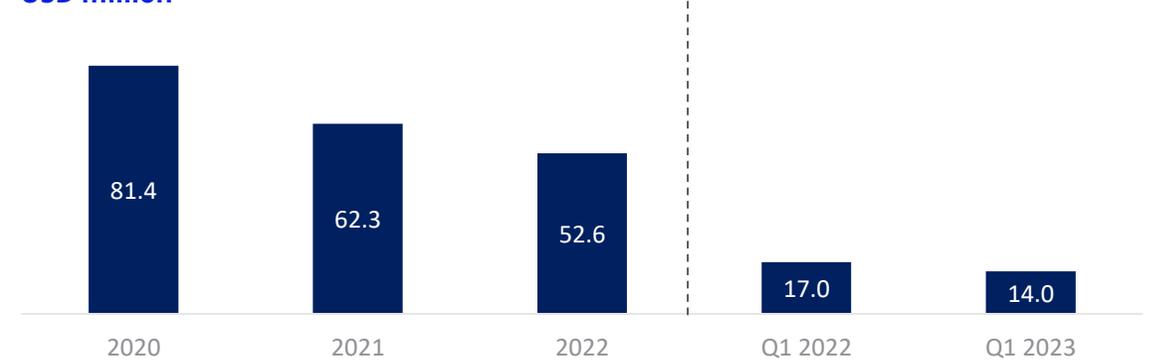
USD million



■ Net Interest Income    ■ Staff Costs  
■ Other Operating Income    ■ Other Operating Expenses

## LOAN IMPAIRMENT

USD million

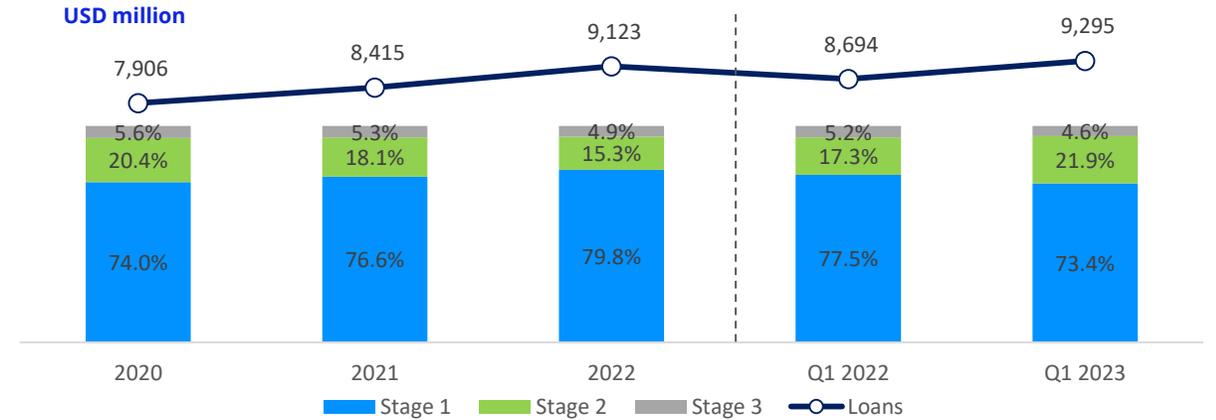


# Asset Quality

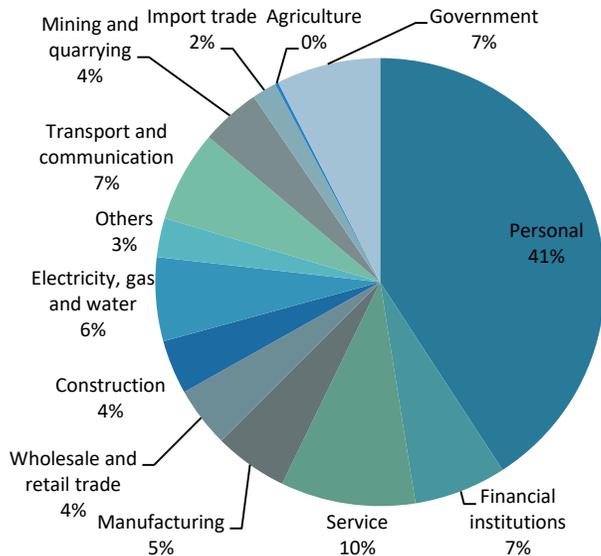
## OVERVIEW

- During first three months of 2023, the banks loan book grew by 1.83%.
- The Bank has diversified portfolio of loans/financing activities across economic sectors through both conventional and Islamic banking.
- Continuous build up of Stage 1-2-3 provisions to cover bad loans with a total provision as percentage of loans stands at 4.6%. As a result, provision coverage ratio improved to 100.4% in Q1 2023 from 92.9% in Q1 2022.
- NPL ratio for Q1 2023 was at 4.6% compared to 5.2% in Q1 2022.

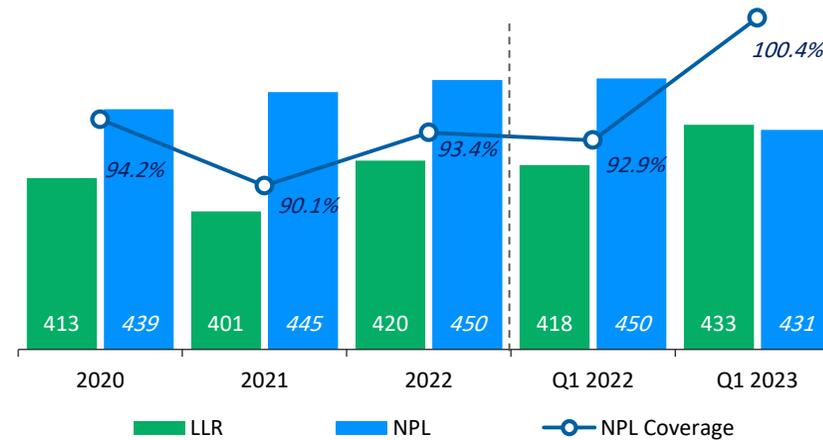
## LOAN EXPOSURE BY STAGES



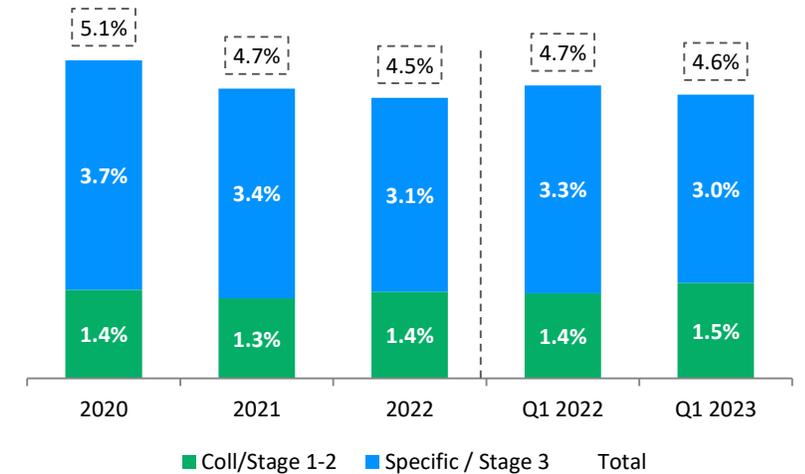
## GROSS LOANS - SECTOR BREAKUP (2022)



## IMPAIRED ASSETS AND PROVISIONING



## PROVISION HELD AS A % OF LOANS



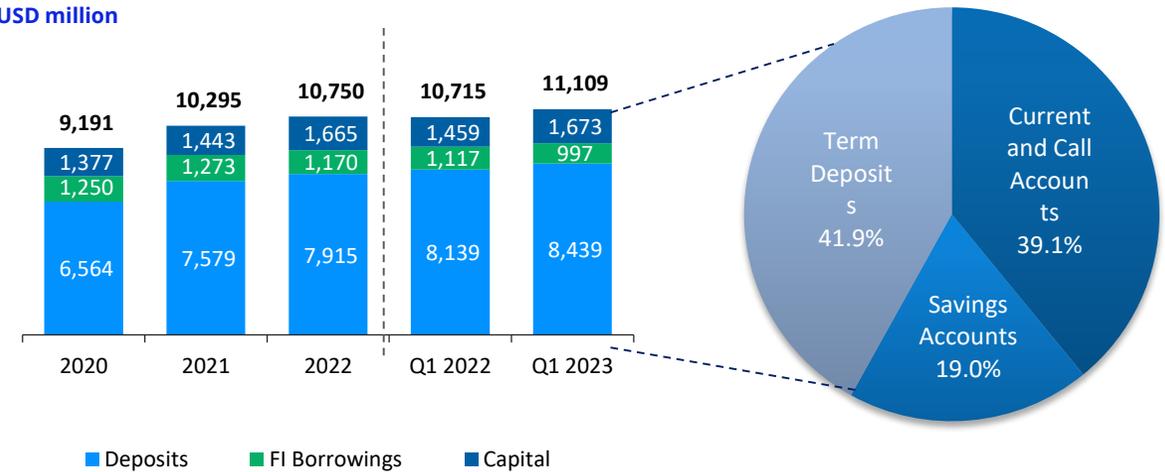
# Capitalization, Funding and Liquidity

## Overview

- Low cost deposits (58.1% of total deposits) from wholesale and retail have contributed to stability of banks' deposit base as well as stronger NIMs.
- Strong liquidity with liquid asset ratio representing 19.6% of total assets and a high liquidity coverage ratio of 320.4% (Mar 2023)
- Capitalization levels of 16.9% in Q1 2023 (excluding interim profits) vs. minimum total capital adequacy ratio of 12.25% (Central Bank of Oman guidelines) leaves us a capital buffer of over 4.6%.
- The Bank's CET1 ratio at 11.9% is above the regulatory minimum by more than 3.6%.

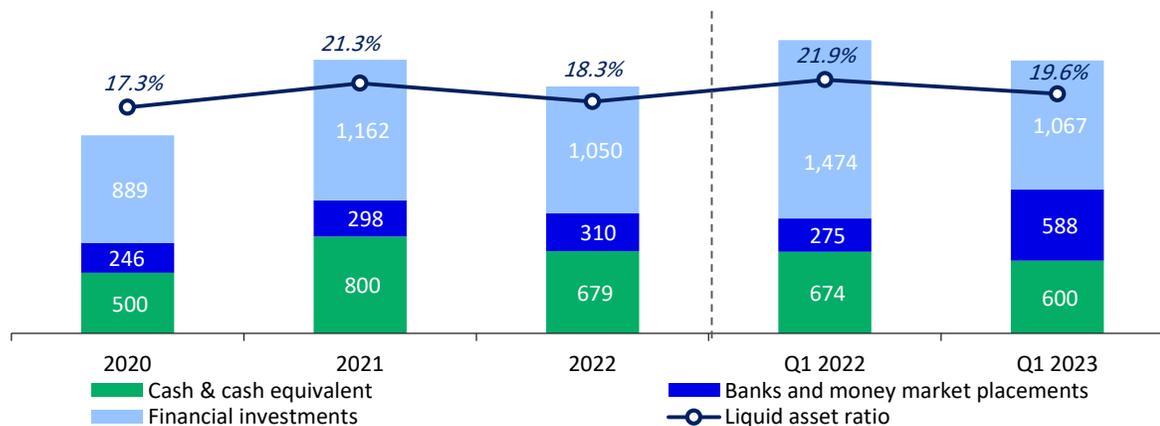
## Funding Mix

USD million

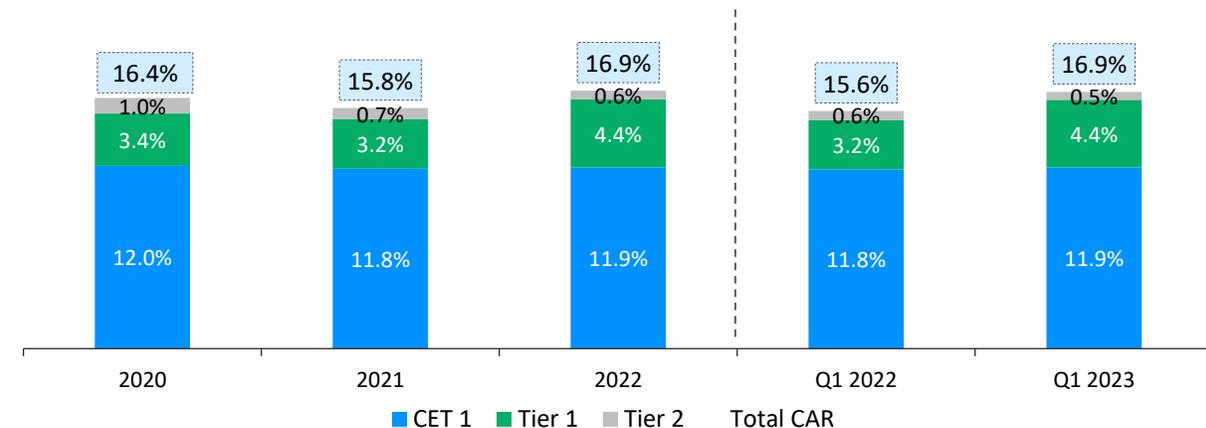


## Liquid Assets

USD million



## Capitalization



# Balance Sheet

Amount in USD Millions	2020	2021	2022	Q1 2022	Q1 2023
<b>ASSETS</b>					
Cash & Central Bank	500	800	679	674	600
Due From Banks	246	298	310	275	588
Loans & Advances (Net)	7,501	8,022	8,711	8,284	8,871
Investments	889	1,162	1,050	1,474	1,067
Fixed Assets	163	156	148	154	147
Other Assets	137	163	255	201	247
<b>Total Assets</b>	<b>9,435</b>	<b>10,600</b>	<b>11,153</b>	<b>11,060</b>	<b>11,518</b>
<b>SHAREHOLDERS EQUITY</b>					
- Share Capital	422	422	422	422	422
- Share Premium Reserve	90	90	90	90	90
- Legal and Other Reserves	145	155	157	160	159
- Retained Earnings	373	398	436	461	530
- Net Profit for the period	47	79	125	27	37
<b>Net Worth (A)</b>	<b>1,077</b>	<b>1,143</b>	<b>1,230</b>	<b>1,159</b>	<b>1,239</b>
Tier 1 Capital (B)	300	300	434	300	434
<b>Net Worth (C=A+B)</b>	<b>1,377</b>	<b>1,443</b>	<b>1,665</b>	<b>1,459</b>	<b>1,673</b>
<b>LIABILITIES</b>					
Customer Deposits	6,564	7,579	7,915	8,139	8,439
Due To Banks	750	773	680	619	505
Euro Medium Term Notes	500	500	491	498	492
Other Liabilities	244	306	403	345	409
<b>Total Liabilities</b>	<b>8,058</b>	<b>9,157</b>	<b>9,489</b>	<b>9,601</b>	<b>9,845</b>
<b>Total Net worth and Liabilities</b>	<b>9,435</b>	<b>10,600</b>	<b>11,153</b>	<b>11,060</b>	<b>11,518</b>

# Income Statement

Amounts in USD Millions	For the year ended			For the period ended	
	31 December 2020	31 December 2021	31 December 2022	31 March 2022	31 March 2023
- Interest Income-Conventional	423.9	430.1	475.7	106.2	141.5
- Interest Income-Islamic	23.2	25.3	28.2	6.6	7.7
<b>Total Interest Income</b>	<b>447.1</b>	<b>455.4</b>	<b>503.9</b>	<b>112.8</b>	<b>149.1</b>
- Interest Expenses-Conventional	(198.2)	(204.1)	(221.1)	(53.9)	(70.4)
- Interest Expenses-Islamic	(12.8)	(13.4)	(13.9)	(3.2)	(4.0)
<b>Total Interest Expenses</b>	<b>(211.0)</b>	<b>(217.5)</b>	<b>(235.0)</b>	<b>(57.1)</b>	<b>(74.5)</b>
<b>Net Interest Income</b>	<b>236.1</b>	<b>237.9</b>	<b>268.9</b>	<b>55.7</b>	<b>74.7</b>
Non funded Income	67.7	82.5	90.1	30.6	23.5
<b>Total Income</b>	<b>303.8</b>	<b>320.4</b>	<b>359.1</b>	<b>86.3</b>	<b>98.2</b>
- Staff Costs	(100.1)	(101.0)	(95.4)	(22.9)	(25.3)
- Other Operating Costs	(48.9)	(48.0)	(46.6)	(11.0)	(10.5)
- Depreciation	(16.8)	(16.0)	(15.2)	(3.8)	(3.8)
<b>Total Operating Expenditure</b>	<b>(165.8)</b>	<b>(164.9)</b>	<b>(157.2)</b>	<b>(37.7)</b>	<b>(39.6)</b>
<b>Operating Profit</b>	<b>138.0</b>	<b>155.5</b>	<b>201.9</b>	<b>48.5</b>	<b>58.6</b>
- Gross Provisions	(93.5)	(75.6)	(68.9)	(19.7)	(19.5)
- Recovery	12.1	13.3	16.3	2.7	5.5
<b>Net Loan Impairment</b>	<b>(81.4)</b>	<b>(62.3)</b>	<b>(52.6)</b>	<b>(17.0)</b>	<b>(14.0)</b>
Net Profit Before Tax	56.6	93.2	149.3	31.6	44.6
Taxation	(9.5)	(14.5)	(24.1)	(5.0)	(7.3)
<b>Net Profit for the period</b>	<b>47.1</b>	<b>78.6</b>	<b>125.2</b>	<b>26.6</b>	<b>37.3</b>

Q&A

Thank you